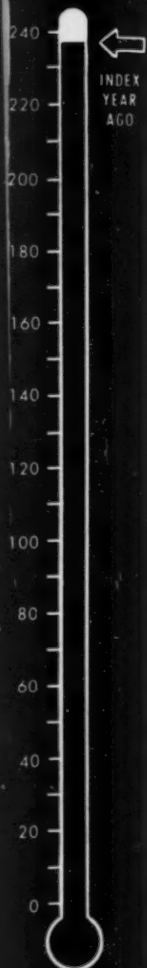


BUSINESS WEEK

DO WE FACE A
Price Collapse?
PAGE 19



N. C. McGowen of United Gas: More gas, more pipelines, more profits (page 110)

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MAR. 8, 1952

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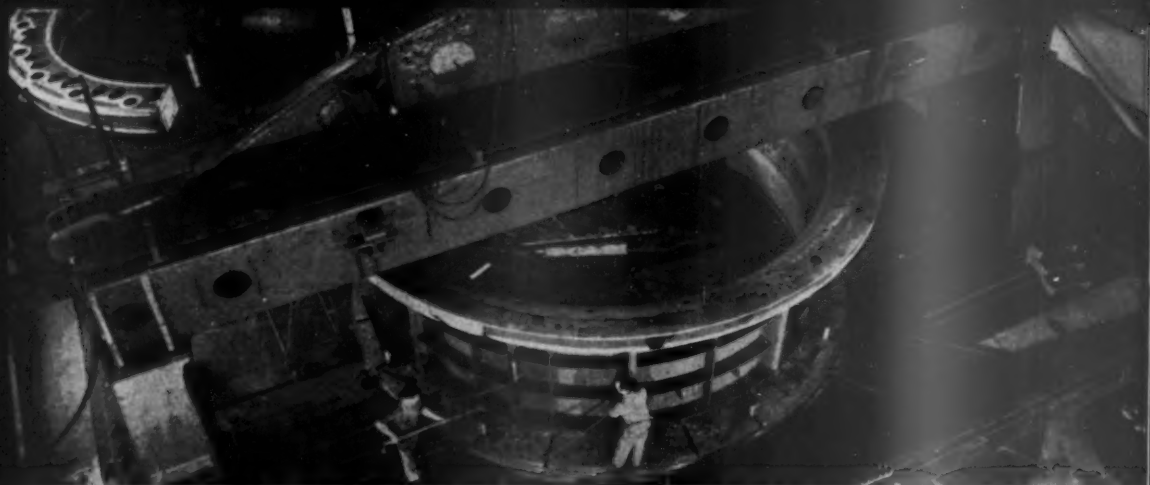
they had twisted steel wire into cables, using a half mile of wire for every foot of belting. In this exclusive B. F. Goodrich belt design, the individual steel cables run lengthwise, each completely surrounded by rubber. The steel cables supply the needed strength and flexibility without making the belt stiff or too heavy.

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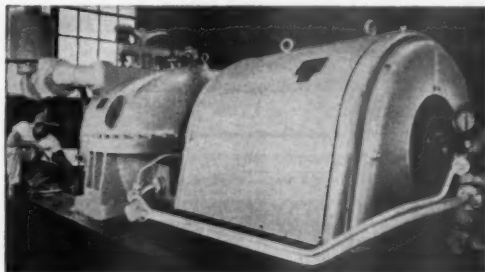
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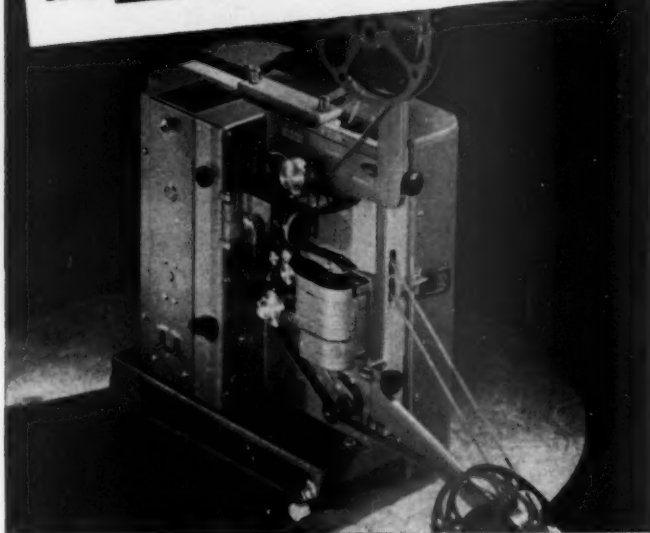
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BUSINESS WEEK • MARCH 8 • NUMBER 1175

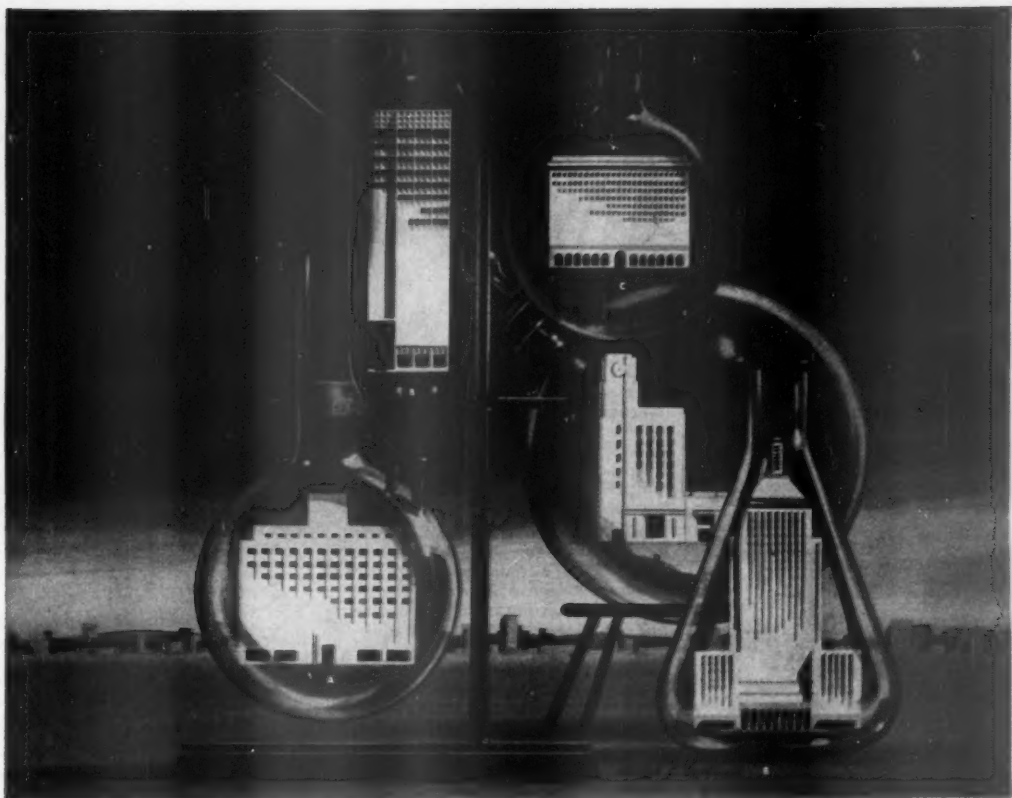
(in which are combined The Annalist and the Magazine of Business) • Published weekly by McGraw-Hill Publishing Company, Inc., James H. McGraw (1860-1948), Founder • Publications Office, 99-129 North Broadway, Albany, N. Y. • Editorial, Executive and Advertising Offices, 120 West 42nd St., New York 36. • Curtis W. McGraw, President; Willard Chandler, Executive Vice-President; Joseph A. Gerardi, Vice-President and Treasurer; John C. Cooke, Secretary; Paul Montgomery, Senior Vice-President, Publications Division; Ralph H. Smith, Editorial Director; Nelson Bond, Vice-President and Director of Advertising.

Subscriptions: Address correspondence regarding subscriptions to J. E. MacDonald, Vice-President and Director of Circulation, Business Week, 99-129 N. Broadway, Albany 1, N. Y., or 120 West 42nd St., New York 36. Allow ten days for change of address.

Subscriptions to Business Week are solicited only from management-men in business and industry. Position and company connection must be indicated on subscription orders.

Single copies 25c. Subscription rates—United States and possessions \$6.00 a year; \$12.00 for three years. Canada \$7.00 a year; \$14.00 for three years. Pan American countries \$15 a year; \$30.00 for three years. • All other countries \$25 a year; \$50.00 for three years. • Entered as second class matter Dec. 4, 1936, at the Post Office at Albany, N. Y., under Act of Mar. 3, 1879. • Printed in U.S.A. Copyright 1952 by McGraw-Hill Publishing Co., Inc. — All Rights Reserved.

BUSINESS WEEK • Mar. 8, 1952



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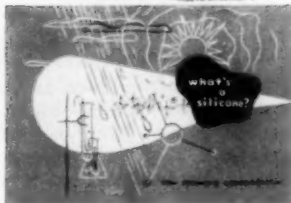
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• Steel . . .

. . . negotiators on wages and prices are finding their job dragging on and on. What's behind the long delay, what they're fighting over. P. 22

• Jet Engines . . .

. . . carry a lot of the U.S.' chips in the cold war. In fact, the Pentagon has given the axe to the aircraft piston engine. Here's how we stand now on jets. P. 58

• Vacations . . .

. . . in Europe and the Caribbean have a growing appeal. Right now 1952 looks like an awfully good year to the travel agents. P. 78

• Dream Products . . .

. . . by the dozen were announced after World War II. You are using some of them every day now. And here's the story on what's happened to others. P. 88

• Peace Treaty . . .

. . . or no peace treaty, Washington is beginning to have doubts as to how Japan will make out. Can the Japanese live without a U. S. subsidy? P. 177

THE DEPARTMENTS

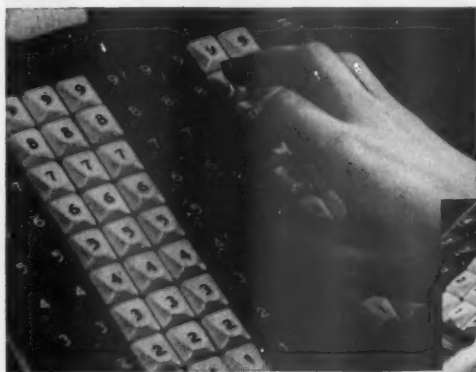
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the counter top of the smoothest streamlined cabinet you ever saw!

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BUSINESS OUTLOOK

BUSINESS WEEK
MARCH 8, 1952

A
BUSINESS
WEEK
SERVICE

Now is the time for a business letdown—if, indeed, there's going to be one. Here are the big reasons:

Tax payments are creating a temporary financial pinch.

Arms output spreadouts add to uneasiness over inventories.

Cutbacks' effects are at their worst at this point.

•
High income taxes have tended to distort the shape of the business curve all through the postwar era (BW-Dec.29'51,p9,10).

Business uncertainties tend to be created in the first quarter. This year the impact is heavier than ever because (1) the imposts are on record pretax earnings, and (2) corporate payments are speeded up.

And this hits at a time when many civilian lines are at their ebb.

•
Congress, in its anxiety to make a money-raising showing, decreed that corporate tax payments be concentrated in the first and second quarters.

That brings in the cash during the waning fiscal year—but it's deflationary. It gives the Treasury a big temporary surplus. And it tightens the money market while draining corporate treasuries.

Abandoning quarterly tax dates and spreading the load over 12 monthly payments would be more realistic and easier on everyone, long run.

•
Arms output hasn't been the stimulant that was expected. That has left defense plants with large inventories.

Now there's the arms spreadout. That heightens the discomfort.

Coming on top of the distress in consumer lines, all this gives rise to new talk of a recession (page 16). But there's another side to it: Metals are freed for more civilian hard goods—if there's a market for them.

Autos and construction are among the first to get more materials.

•
Consumer goods shortages are becoming less and less likely.

From now to July was supposed to be the greatest pinch in things made of metal. But that's rapidly going out of date. The second quarter, rather than being the low point, may turn out better than the first.

•
Producers of consumers' durable goods have been looking on the bright side. They had a 5% output rise from December to January. And a special study by the Bureau of Labor Statistics shows that their intention, as recently as January, was to enlarge their work forces.

•
Spring should mark some upturn in demand for consumer goods.

This isn't automatic. Spring works no absolute magic on sales. Yet autos and refrigerators generally move more briskly. Moreover, a turn should be due by then—after 15 months of slack.

And spring should find supplies about adequate. Finished goods inventories plus better availability of metals should turn the trick.

•
If there's a shortage of anything, it's likely to be in autos. Nevertheless, output for the first half of the year seems a better-than-even bet to reach 2-million passenger cars.

The way autos are selling now, there should be enough to squeak by on.

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
MARCH 8, 1952

But if the consumer goods recession ends by spring, you may have to wait in line by June for the make, model, and color you want.

(But you probably can get it with white sidewall tires if you want them; the pinch on metallic pigments would seem to be on the way out.)

•
Retail sales keep plodding along. Just the same, by past standards, retail business is not bad.

The \$12.6-billion racked up in January compares very favorably with any other period except the two post-Korea buying booms.

•
Figures on retail sales suffer most by comparison with what might have been. The trouble is that sales volume (adjusted for seasonal fluctuation) has been about level while incomes have kept rising.

•
Much of the money people haven't been spending has gone into investments—where it can be tapped readily if desire so dictates.

Take just one example: The Home Loan Bank Board estimates that savings and loan associations had a net gain of \$2.1-billion in 1951.

In December, the latest month for which there are figures, the net inflow was \$395-million—the best for any month on record.

•
Many businessmen must be wondering how long over-all business activity can hold up in the face of so many "private recessions."

Nevertheless, the Federal Reserve Board's preliminary estimate of all production in February remains at 218—unchanged. This bears out the trend of Business Week's own index (page 13).

•
Steel did it this week. Output, to the surprise of no one in particular, has gone to a new high of 2,104,000 tons with operations at 101.3% of rated capacity. Previous top: 2,097,000 tons last December.

•
Electric power output again last week was above 7.4-billion kwh. for a year-to-year gain of almost 9%.

And, while the heavily industrialized regions of the mid-Atlantic and the Great Lakes are posting gains that are below the national average, each is holding better than 5% ahead of a year ago.

Power output a year ago was running just over 6.8-billion kwh.

•
Construction in February continued at a high level in spite of controls, which still were holding down nonessential lines, and winter weather.

Value of work put in place is estimated at \$1,973,000,000. That still is a shade better than the figure for February last year.

Private outlays, however, were down from \$1,518,000,000 a year ago to \$1,379,000,000. This decline was a little more than made up by the gain of \$153-million in public construction (page 13).

•
Employment in the construction industry probably will run a little higher than expected due to loosening of controls.

The Bureau of Labor Statistics had figured the monthly average for jobs at about 2-million this year. That would have been 400,000 under 1951—with jobs in private construction the fewest since 1946.



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Louis Allis explosion-proof motors have the Underwriters' Laboratories approved labels for all types of hazardous conditions—Class I, Group D for explosive liquids and vapors; Class II, Group G for combustible dust; Class II, Group F for carbon black, coal and coke dust; Class II, Group E for combustible metal dust.

There is a modern streamlined Louis Allis Explo-

sion-Proof motor to satisfy your most exacting specifications. A careful comparison and analysis will show you that Louis Allis Explosion-Proof motors offer you more dependable performance, convenience, long life and safety.

For quick, dependable service contact your nearest Louis Allis Sales Engineers.



THE LOUIS ALLIS CO., Milwaukee 7, Wis.





Counter Display signs by Stanley Wessel & Company, 480 Lexington Ave., New York 17, N. Y.

Eye catchers and sales catchers

YOU CAN'T MISS these signs—they're bright and colorful, shaped to three dimensions. They're real bargains themselves...low in cost, wearing like iron, washable...for they're made from VINYLITE Rigid Sheets, multi-color printed, then deep-drawn into durable, lightweight, easily cleaned displays.

They're perfect examples of the versatility of VINYLITE Rigid Sheets. They'll hold their shape and dimensions regardless of changes in temperature and humidity. They're strongly resistant to oils, greases, water, alkalis, most strong acids. Perspiration and dirt won't harm them—they can be

wiped clean with a damp cloth. That's why they're used for packages, calculators, housings, book bindings, etc.

VINYLITE Rigid Sheets come in all colors—transparent, translucent, or opaque. They won't warp or crack with rough handling, and have useful electrical insulation qualities. Their military and civilian uses range from precision instruments to ceilings, and they're giving more ideas to manufacturers and designers every day.

Perhaps you can develop a better-looking, more profitable product from VINYLITE Plastic Rigid Sheets. For more information, write Dept. LZ-62.

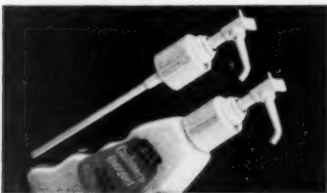
Vinylite
BRAND
PLASTICS



BAKELITE COMPANY

A Division of
Union Carbide and Carbon Corporation
30 East 42nd Street, New York 17, N. Y.

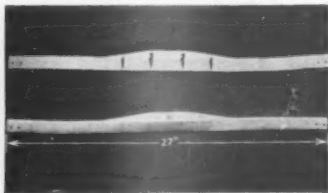
Be sure to visit BAKELITE'S EXHIBIT, Booth 314-324, NATIONAL PLASTICS EXPOSITION, Philadelphia, March 11-14.



Tops in dimensional accuracy are these lotion dispenser pump parts molded from VINYLITE Brand Rigid materials. They hold shape and dimensions during long use. Retain color. Resist wear, essential oils. By Calmar Co., 6800 McKinley Ave., Los Angeles 1, Cal.

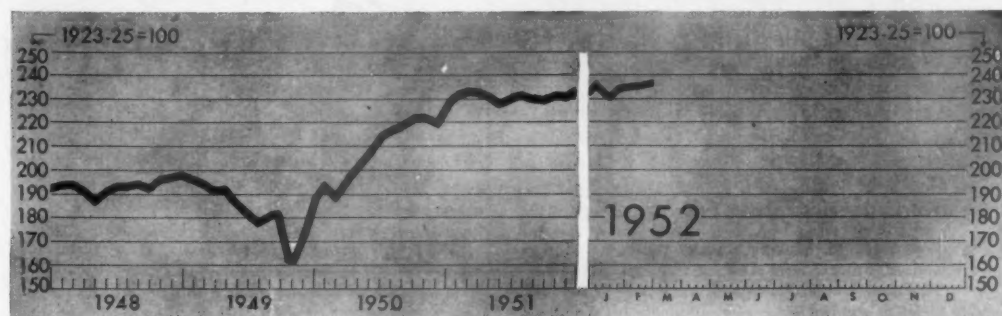


Seven years' exposure! Coatings based on VINYLITE Brand Resins protected this sign seven years against exposure to corrosive industrial fumes. No chipping, peeling, fading, despite abuse. Excellent for composition board signs, thus conserving metal.



Long life—low cost. Vacuum cleaner bumpers injection molded of VINYLITE Elastomeric Plastics. Quickly produced, attractively colored, easily attached. Tough, flexible, resist abrasion, won't mar furniture. Made for General Electric Co. by Hungerford Plastics Corp., Rockaway, N. J.

FIGURES OF THE WEEK



Business Week Index (above)

| \$ Latest Week | Preceding Week | Month Ago | Year Ago | 1946 Average |
|----------------|----------------|-----------|----------|--------------|
| *237.3 | †237.2 | 236.1 | 237.9 | 173.1 |

PRODUCTION

| | | | | | |
|--|----------|----------|----------|----------|----------|
| Steel ingot production (thousands of tons) | 2,104 | 2,096 | 2,090 | 2,019 | 1,281 |
| Production of automobiles and trucks | 115,918 | †110,542 | 102,402 | 177,356 | 62,880 |
| Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands) | \$39,911 | \$34,280 | \$39,087 | \$47,444 | \$17,083 |
| Electric power output (millions kilowatt-hours) | 7,416 | 7,461 | 7,572 | 6,822 | 4,238 |
| Crude oil and condensate production (daily av., thousands of bbls.) | 6,367 | 6,366 | 6,225 | 6,016 | 4,751 |
| Bituminous coal production (daily average, thousands of tons) | 1,679 | †1,766 | 1,870 | 1,727 | 1,745 |

TRADE

| | | | | | |
|---|------|-----|------|------|------|
| Carloadings: manufactures, misc., and l.c.l. (daily av., thousands of cars) | 74 | 76 | 72 | 76 | 82 |
| Carloadings: all other (daily av., thousands of cars) | 47 | 47 | 49 | 46 | 53 |
| Department store sales (change from same week of preceding year) | -12% | -6% | -14% | +24% | +30% |
| Business failures (Dun and Bradstreet, number) | 163 | 177 | 164 | 170 | 217 |

PRICES

| | | | | | |
|--|---------|---------|---------|---------|---------|
| Spot commodities, daily index (Moody's Dec. 31, 1931 = 100) | 433.9 | 433.9 | 452.8 | 525.9 | 311.9 |
| Industrial raw materials, daily index (U.S. BLS, Aug., 1939 = 100) | 294.3 | 296.7 | 309.7 | 378.6 | 198.8 |
| Domestic farm products, daily index (U.S. BLS, Aug., 1939 = 100) | 337.9 | 339.9 | 353.2 | 411.2 | 274.7 |
| Finished steel composite (Iron Age, lb.) | 4.131¢ | 4.131¢ | 4.131¢ | 4.131¢ | 2.686¢ |
| Scrap steel composite (Iron Age, ton) | \$42.00 | \$42.00 | \$42.00 | \$43.00 | \$20.27 |
| Copper (electrolytic, Connecticut Valley, lb.) | 24.500¢ | 24.500¢ | 24.500¢ | 24.500¢ | 14.045¢ |
| Wheat (No. 2, hard and dark hard winter, Kansas City, bu.) | \$2.48 | \$2.50 | \$2.52 | \$2.40 | \$1.97 |
| Cotton, daily price (middling, ten designated markets, lb.) | 40.08¢ | 40.19¢ | 41.77¢ | # | 30.56¢ |
| Wool tops (Boston, lb.) | \$1.90 | .. | \$2.15 | \$4.50 | \$1.51 |

FINANCE

| | | | | | |
|---|-------|-------|-------|-------|-------|
| 90 stocks, price index (Standard & Poor's) | 186.0 | 184.4 | 192.3 | 173.6 | 135.7 |
| Medium grade corporate bond yield (Baa issues, Moody's) | 3.52% | 3.53% | 3.54% | 3.19% | 3.05% |
| Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate) | 2½% | 2½% | 2½% | 2% | 1-16 |

BANKING (Millions of dollars)

| | | | | | |
|---|---------|---------|---------|---------|----------|
| Demand deposits adjusted, reporting member banks | \$2,683 | \$2,557 | \$4,328 | \$0,649 | ††45,210 |
| Total loans and investments, reporting member banks | 73,526 | 73,504 | 74,017 | 69,501 | ††71,147 |
| Commercial and agricultural loans, reporting member banks | 21,157 | 21,148 | 21,160 | 18,733 | ††9,221 |
| U. S. gov't and guaranteed obligations held, reporting member banks | 31,892 | 31,973 | 32,419 | 30,791 | ††49,200 |
| Total federal reserve credit outstanding | 23,750 | 23,887 | 23,707 | 23,188 | 23,883 |

MONTHLY FIGURES OF THE WEEK

| | Latest Month | Preceding Month | Year Ago | 1946 Average |
|---|--------------|-----------------|----------|--------------|
| Consumer credit outstanding (in millions) January | \$20,080 | \$20,640 | \$19,937 | \$6,802 |
| Installment credit outstanding (in millions) January | \$13,313 | \$13,506 | \$13,252 | \$3,025 |
| Manufacturers' inventories (seasonally adjusted, in billions) January | \$4.19 | \$4.20 | \$3.41 | \$20.5 |
| Private expenditures for new construction (in millions) February | \$1,379 | \$1,472 | \$1,518 | \$803 |
| Public expenditures for new construction (in millions) February | \$594 | \$652 | \$451 | \$197 |

* Preliminary, week ended Mar. 1.

†† Estimate (BW-Jul.12'47,p16).

⊗ Markets closed.

.. Not available.

‡ Date for "Latest Week" on each series on request

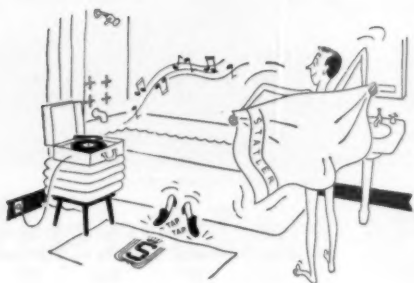
† Revised.



1. Ted and Toni, dancing stars of television shows, waltzed through the Statler's door one day, and said: "We want repose. That's why we're back at Statler, for peace and rest it's grand, and guests are sure that, day and night, each wish is a command."



2. "I wish for one fine Statler bed," said Teddy with a yawn. "I'm tired as any man can be who's rumbaed till the dawn. Eight hundred thirty-seven springs will lull me right to sleep, without the need of counting flocks of jitterbugging sheep."



3. "Our dancing's fun but hard work, too," said Ted with happy grin, "so when my muscles ache and groan and I feel all done in, a steaming tub with water hot helps wash my pains away. And how I love those snowy towels that rise in bright array."



4. "The Statler food is wonderful," and Toni danced a tap. "At breakfast, lunch and dinner, we eat up every scrap. For Statler meals are custom-cooked and served when piping hot." "And one more thing," Ted added, "You always get a lot."



5. That night, the dancing couple took a "busman's holiday," and danced to Statler's famous band with music bright and gay. Then as the evening ended, they said: "For fun and rest, come check in at the Statler, where you really are a guest."



STATLER HOTELS: NEW YORK • BOSTON • BUFFALO • DETROIT
CLEVELAND • ST. LOUIS • WASHINGTON

★
ANOTHER GREAT NEW STATLER • LOS ANGELES
(READY FOR OCCUPANCY JUNE, 1952)

WASHINGTON OUTLOOK

WASHINGTON
BUREAU
MAR. 8, 1952

A
BUSINESS
WEEK
SERVICE

Decontrol of metals is being talked more and more—when and how. Mobilization officials believe that the Controlled Materials Plan can end by January (page 25). They're beginning to talk about the technique for putting the machinery into reverse.

So you'll have a lot of confusion between now and then. Some metals will be kept under tight rationing—copper, tungsten, nickel, and cobalt. But a lot of others, including steel and aluminum, will be turned loose, one by one. Chrome steel is already decontrolled. But nickel steel will be tightly reined for a long time. There's talk of freeing tinplate, terneplate, cold-rolled strip.

Structural won't go free for some time.

Military orders still will come first. This means going back to simple DO (defense order) ratings. That's how things began, before CMP went in last June. Where simple priorities won't do the job, spot directives will be used to clear the bottlenecks.

More metals will result from the arms stretchout. The military's peak spending plans—now changed—prompted both military and civilian producers to lay in heavy inventories. These now look big alongside the lower spending plans Truman's budget calls for.

For example: The military's steel take drops next year. Earlier, it had looked as if the munitions makers would chew up perhaps 16-million tons of finished steel, compared with about 14-million this year. Now 1953 consumption by the military will drop to around 11-million tons.

This means more cars and other hard goods.

Despite decontrol trends, a strong Defense Act will be passed. Congress may work out some gimmick for automatic decontrol of items in long supply. But it won't force Wilson to relax on materials still short, and still pushing price ceilings.

Truman is having uphill going on his foreign aid program. Indeed, he'll be lucky if he ends up with no more than a 25% cut.

France's troubles came at the wrong time. They offset Truman's and Acheson's selling campaign right at the start.

Congressmen, like Sen. Connally, are demanding that we force France to mend its economy. They would also prod European parliaments into moving closer to unification in return for foreign aid.

Election-worried congressmen need a lot of convincing. More governments falling, more dragging out of the peace talks in Korea, plus more bad news in Southeast Asia will have their effect.

Eisenhower is expected to come home to help out on Capitol Hill. Not only does Truman need him to back the North Atlantic Treaty Organization, but the Ike-for-President supporters are pleading with him, too.

Eisenhower is now ready to come home—put on his Presidential hat and go to work. Timing for the return is around May 1, though it could be sooner. The outcome of the New Hampshire primaries next Tuesday will set up the time schedule.

The South has a rally point in Presidential candidate Sen. Russell. It can deprive Truman of convention votes in Chicago, electoral votes in November—maybe enough to defeat him. Reluctantly, Russell is about ready to make such a threat. He refused to bolt in 1948—and held his home state Georgia behind Truman. But now he says he's in "to the finish."

WASHINGTON OUTLOOK (Continued)

WASHINGTON
BUREAU
MAR. 8, 1952

Congress is far behind schedule. This raises doubts about a June closing. Investigations, absenteeism, and general lack of Democratic leadership add up to do-nothing.

Speaker Rayburn never had so little control over the house. Witness the spectacle on pigeonholing the Universal Military Training bill this week. Democratic whips wouldn't keep their men in the chamber. This means no UMT law this year.

The "must" program is behind schedule—except appropriations. And even with early progress in the House, such big money bills as defense and foreign aid will be a long time getting through.

There's real worry about a recession in Washington. Government economists think it could start with dumping of inventories to beat possible price drops.

Consumer resistance then would grow even stiffer than now. On top of it all, more steel, aluminum, and copper for consumer manufacturers is sure to encourage buyer wait-and-see attitudes.

Washington fears there might be cuts in production. However, some manufacturers are wondering whether the reverse might not be better strategy—that is, increase volume to bring down unit costs. This feeling is strong among small appliance makers.

Munitions production lags are the big cause of the new pessimism. The lags make materials easier, soften inventories. You get estimates that, even under the stretchout, munitions production still is trailing this year \$3-billion to \$5-billion.

One ray of cheer: Less spending for munitions means that the deficit at fiscal 1952's yearend won't be big. The Treasury once talked of \$16-billion in red ink. Truman cut this to \$8-billion. But now the Budget Bureau figures the actual amount will be only \$3-billion or \$4-billion.

That means, on a cash basis, a balanced budget.

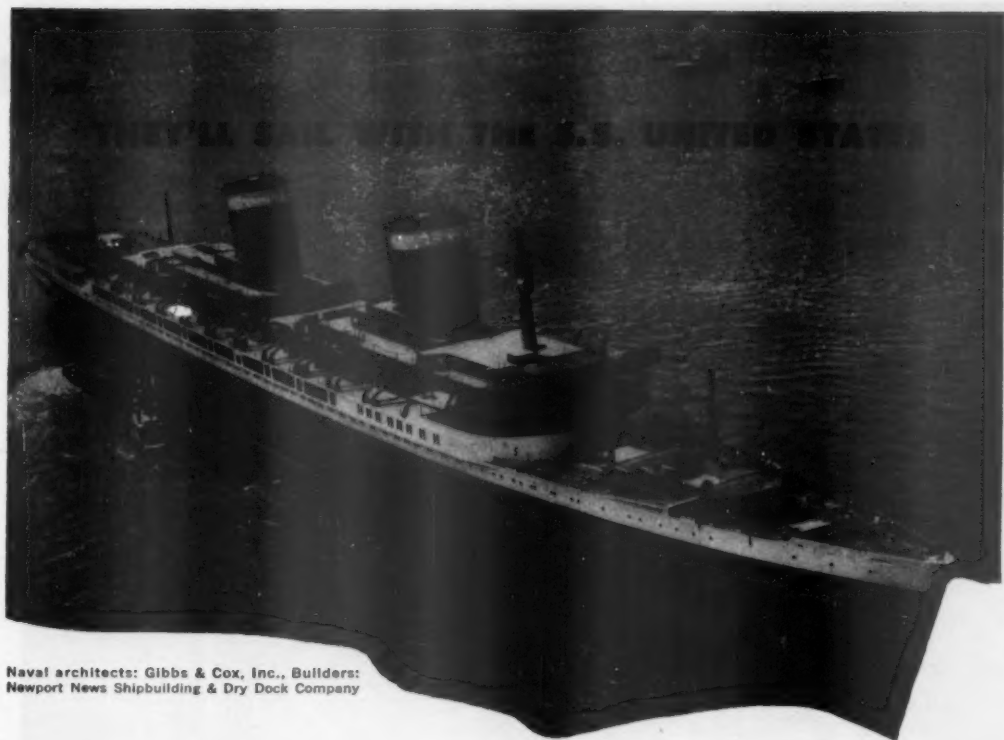
Softness in textiles is braking government synthetic expansion. A year ago mobilizer Wilson was all set to give tax amortization and other aids to new capacity for the so-called wool substitutes—technically, non-cellulose synthetic fibers.

A decision soon to be made will probably veto new projects. Lower wool prices have prompted wool and cotton states congressmen to object to any more government-aided competition.

Some chemical companies may go ahead on a reduced basis—on their own. The National Production Authority will give them the necessary materials.

Hoyt Vandenberg's reappointment as Air Force chief doesn't settle the Air Force muddle. He and Secretary Finletter still are fussing. Vandenberg wants to break through the military budget ceiling. Finletter supports Truman.

There's squabbling in the Navy, too. Fliers say Admiral Fechteler's hierarchy is made up of battleship admirals. The fliers are lobbying for major commands to be filled by aviation admirals.



Naval architects: Gibbs & Cox, Inc., Builders:
Newport News Shipbuilding & Dry Dock Company

The versatile Sperry equipment on the S. S. UNITED STATES is specially adapted to the requirements of a vessel of her unusual size, speed and performance potential.

Tall as a 12-story skyscraper, nearly as long as 5 city blocks, capable of attaining a speed in excess of 30 knots and having accommodations for 2000 passengers and crew complement of 1000, this new United States Lines' Flagship has been built to meet the high standards of the United States Coast Guard, American Bureau of Shipping and the United States Navy.

Incorporated in her design are the latest technological advances in hull, machinery and fittings to assure safety, speed, maneuverability, efficiency and comfort . . . whether used as a luxury liner or a troop carrier.

When the UNITED STATES makes her maiden voyage from New York July 3, 1952, Sperry will sail with her. She will be fitted with a special adaptation of the new Gyro-Pilot® Control System providing accurate automatic steering. A Gyro-Compass System with many repeaters will supply precise heading data to Gyro-Pilot and radar. And a Sperry Radar System will sharply define above-water detail when visibility is poor.



Radar



Gyro-Compass



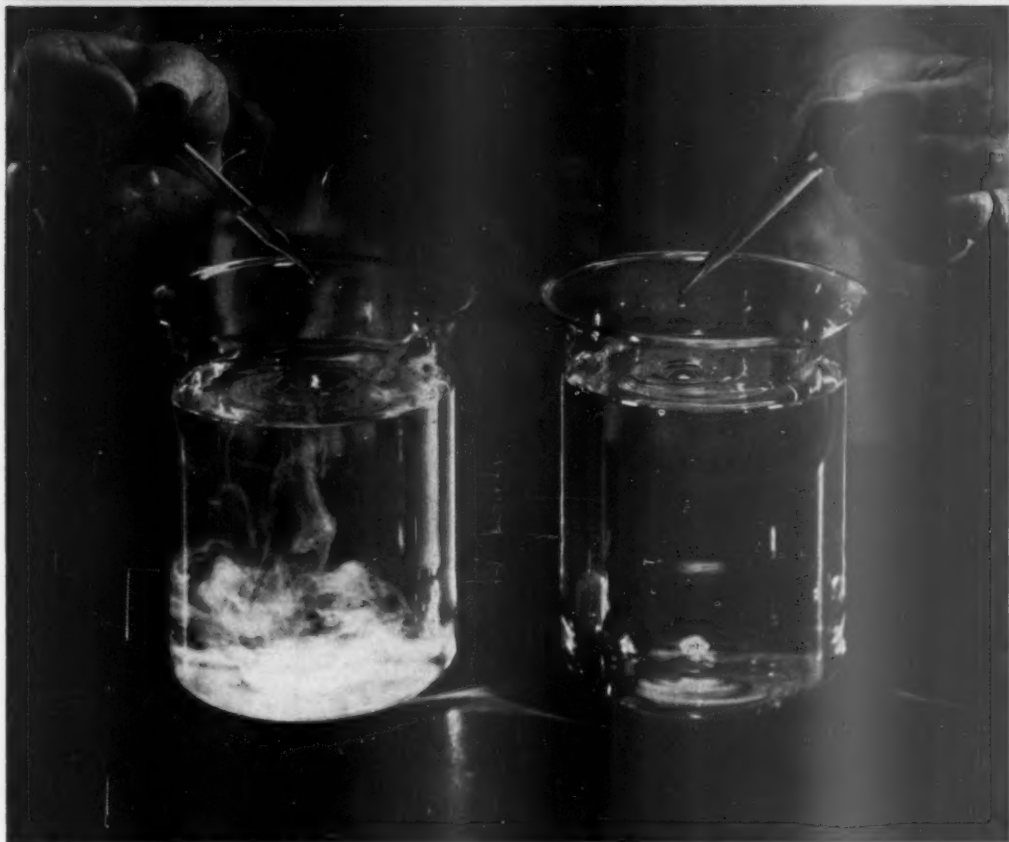
Gyro-Pilot

TRADE-MARK

SPERRY **GYROSCOPE COMPANY**
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**You should expect the best value
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WATER TOO PURE TO DRINK HELPS GIVE YOU MORE LIGHT. It's the water on the *right* you wouldn't want to drink. It's so pure it's tasteless. You'd prefer the water on the left. Ordinary tap water, it's safe enough for drinking. But not for G-E fluorescent lamps. A chemical reagent shows mineral impurities. If they got into the phosphor coating, they would cut light output. On the glass tube, they would create a streaked look. So General Electric uses the specially demineralized water shown at right in making our phosphors and to wash our lamp tubes. It's twice as free of minerals as distilled water. A small precaution—perhaps. But it helps give you more light and better looking lamps. You *should* expect the best value from G-E fluorescent lamps. This is another example of how far we go to make sure you can.

You can put your confidence in

GENERAL  ELECTRIC

| Here's what's happening... | ...to prices in these markets... | ...and here's why |
|--|----------------------------------|--|
| <p>↓</p> <p>The bull market has lost 5% — but still is 60% above '49 level</p> | <p>↓</p> <p>STOCKS</p> | <p>↓</p> <p>Tighter money, sliding earnings, worries over dividends blunt buying</p> |
| <p>Raw materials are off 6% so far in '52—and 21 1/2 % under a year ago</p> | <p>SPOT MARKETS</p> | <p>Business fears, world affairs, and taxes hit primary market prices</p> |
| <p>Down in seven of the last eight weeks; 5% below peak a year ago</p> | <p>WHOLESALE</p> | <p>Inventory liquidation goes on as consumers remain standoffish</p> |
| <p>Dollar stretches only a wee bit, even with meat, clothing lower</p> | <p>RETAIL</p> | <p>High wages and fixed costs limit savings reaching the consumer</p> |

The Price Boom Stubs Its Toe

Maybe it's just taxes. Anyway, a lot of markets have that old Mar. 15 feeling.

Businessmen are blue—at least those who have to rely on civilian production. Inventories that were "better than money in the bank" a year ago begin to look like a drug on the market. Prices of commodities are shaky, all the way from primary markets to retail counters. And as for stock prices, even dyed-in-the-wool bulls are having some slight qualms—not withstanding this week's efforts at a rally.

Some boggle like this became a clear prospect when the rearmament program was cut back. Though there are still sturdy props under business (BW—Feb. 16 '52, p21), removal of some of the inflationary pressure has opened the way to something that has the look—though hardly the force—of an inventory recession.

• **Gray Weather**—Today Wall Street hardly recognizes its own axiom: "Buy 'em when nobody wants 'em."

Metals, once so scarce, now begin to look plentiful. Textile people, long

depressed, talk more of mill closings than of a pickup in demand. Marketing men, though admitting dollar volume still is large, think in terms of a new and permanently lower level of consumer sales.

Rearmament, if you take all this at face value, no longer is enough to sustain the boom.

Economists can talk all they like of the high level of personal savings—of how, one of these days, consumers will start spending their record-high income instead of stashing it away. The plain fact is that neither the order book nor the marketplace shows any such thing.

• **Strength Underneath**—But a few suggest, however timidly, that an inventory jolt—if such this is—generally ends with as little warning as it started. And they might add that this is unlike any other inventory jolt ever seen. Because of large plant expansion outlays and defense spending:

• Over-all business activity is suffering very little.

• Employment remains high, unemployment very low indeed.

• Incomes from wages and salaries remain high.

• Savings, instead of melting, are rising to foot future spending.

As long as these things are true, inventory liquidation can't feed on itself to the usual extent. Generally, when consumers have overstocked, they cut their spending. Retailers slash orders from wholesalers, and wholesalers from manufacturers, factories cut operations. All this means layoffs, unemployment. That, in turn, cuts purchasing power; retailers feel a new squeeze; and the unhappy circle starts all over again, but faster.

Right there is where resemblance to the past ends this time. No serious drop in employment has started, no slump in purchasing power.

• **Except for a Few**—Not that inventory liquidation hasn't been feeding on itself in several lines. Any textile man can tell you, after 11 months of buffeting, that his industry has been feeling the full effects of a glut. And many a laid-off worker—in textiles and other fields—will wonder how mass pur-

chasing power is being sustained after what happened to him.

Cutbacks in auto production have created severe, though spotty, unemployment. Forced reduction in building has cut the demand for building materials and home furnishings. Overbuying of appliances, TV sets, tires, sheets, shirts, and sugar in 1950 and early in 1951 has resulted in more or less serious "private recessions."

All these have had their repercussions in the markets. Raw wool, hides, and print cloth are selling below their pre-Korea levels. They have dropped 60%, 59%, and 38% respectively from their highs.

• **Average Looks Better**—These are extreme cases. Most major metals, by contrast, haven't gone down at all; many, indeed, would go up if ceilings were to be removed. And the average price of 28 raw materials, compiled daily by the Bureau of Labor Statistics, had a long period of relative stability over the last five months of 1951.

That breathing spell ended, however, around the turn of the year. Then foreign demand for a lot of raw materials turned dull as European governments tightened the reins on imports (BW-Feb. 9 '52, p9). Now the full impact of the higher income tax rates is really being felt.

• **Bottom Man**—Measured by the cost of living index, not much advantage from the wave of price declines has filtered down to the consumer. The more hands or the more processes a raw material passes through, the stickier the price of the product becomes. Each successive manufacturing process and each stage of distribution means an added labor cost—and hourly wages are going up rather than down. Overhead costs and fixed charges can't be pared—and, in industries where volume has dropped, these costs have to be divided among a smaller number of units. And transportation charges still are rising.

• **Some Breaks**—All these cost factors make it hard to reduce prices to the consumer. Nevertheless, slow-moving consumer lines like clothing and TV sets are cheaper.

The consumer has had another break in the form of cheaper foods. Many fresh vegetables are lower after sky-high early winter prices. And meats, most particularly, are in good supply at lower prices.

The situation in meats is unusual. Generally, at this time of year, hog supplies are dwindling toward their spring low. That cuts the over-all supply of meat and, other things being equal, boosts prices.

This year, however, the principal feed-corn—has been dear. So instead of feeding their hogs and cattle, farmers have run more of them to slaughter

than usual. The result has been a depressing effect on prices.

• **Wall Street**—The stock market hasn't been much concerned about the ratio between corn and hog prices, but that is one of the few elements in the current unsettlement that Wall Street hasn't felt.

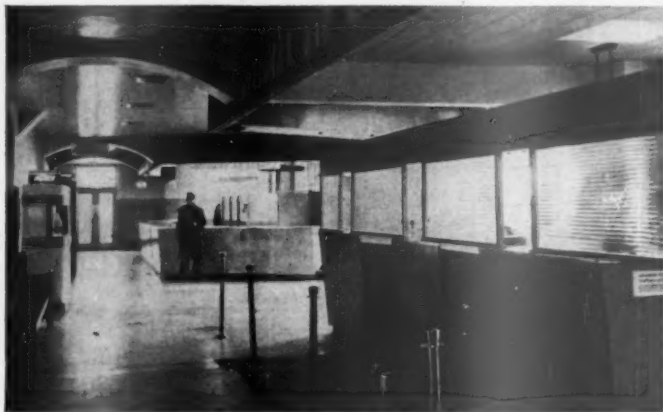
Important is the outlook for profits. Here, a combination of factors is working against stock prices. High taxes, wages, volume of sales, and the need for working capital (which carries a higher interest rate if it has to be borrowed) all put a squeeze on earnings available for dividends.

The inventory situation, too, is at least temporarily bothersome. If com-

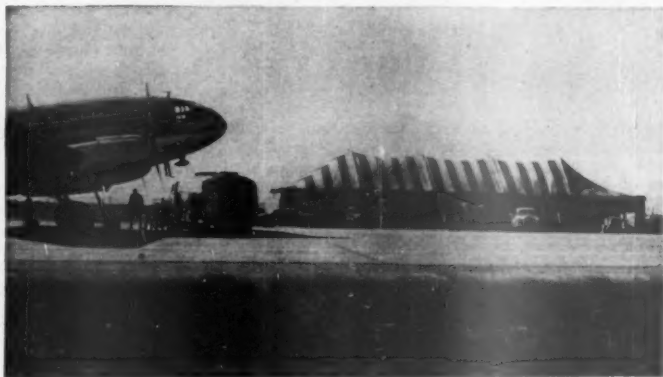
panies have to cut prices in order to get volume, it means losses on materials and supplies bought earlier.

• **Note of Optimism**—Even so, the bulls can't be counted out. Many still reason that the high level of government spending—which will result in a federal deficit of perhaps \$9-billion in the second half of 1952—remains inflationary. Any time consumers take the rubber bands off their wallets, the bulls foresee a resumption of competition between government and individuals for available goods on the market.

Apparently, this optimism isn't too widespread. Otherwise, today's dearth of buyers in stock commodity markets might seem very hard to explain.



Newark's Shut, So Air Traffic Shifts . . .



. . . To Idlewild—Which Takes to Tents

In aftermath of fatal crashes, Newark's once bustling airport has been standing wholly idle for weeks. But the scenes of silent emptiness in Newark's main administration building (upper) have reverse reflections elsewhere.

Nonscheduled cargo planes that used to land at Newark are now shifted to New York's Idlewild airport. There, lack of space has caused the use of several large tents for cargo storage. The lower picture shows the circusy look that has resulted.

Oil Aplenty

That's what the petroleum industry sees for generations to come—if the government doesn't kill incentive.

This week in Washington, a group of oil experts dotted the last "i" in the most sweeping report ever made on the future of U.S. oil supplies. As you'd expect, the report reflects industry's thinking: "We don't have to start worrying about supplies for generations yet." More than that, though, it arrays facts and arguments to back up this optimism.

Interior Dept. requested the study about a year ago. National Petroleum Council, the industry advisory committee for Interior and for the Petroleum Administration for Defense, drafted the best brains in the industry to make the study.

The result boils down to one sentence: "The U.S. and the world can count upon increasing supplies of oil and gas, not only for the next few years but for the foreseeable future—provided that reasonable economic incentives, adequate materials, and a favorable climate for investment prevail."

• **Cold Figures, Hot Guess**—The report gives black-and-white figures only through 1955; beyond that year, prospects are set forth on faith and past performance.

Short-range, the supply picture looks like this:

• **U.S. petroleum supplies** by 1955 will run between 7.8-million bbl. a day and 8.8-million bbl. a day (BW-Nov.10'51,p66), compared with 7.3-million bbl. a day in January, 1951.

• **Foreign, non-Communist sources** will yield anywhere from 6.6-million bbl. a day to 7.4-million bbl. a day, compared with 4.7-million bbl. in January, 1951.

• **Domestic natural gas production** is expected in 1955 to range between 9.5-trillion cu. ft. and 11.9-trillion cu. ft., compared with 6.9-trillion cu. ft. in 1950 (latest year for which figures are available).

As for subsequent years, the oil experts say: "We have just begun to scratch the surface of the world in the search for oil. Prospects must be measured in generations—and perhaps in centuries—rather than in decades."

• **Conservative Record**—To forestall charges of overoptimism, they point out that previous predictions by oil economists have always erred on the side of conservatism.

For example, back in 1948 the American Petroleum Institute issued

a report on long-term availability of oil. By January, 1951, domestic oil availability had reached the level API had anticipated for 1953.

National Petroleum Council puts its chips on continued acceleration of oil availability because:

• Only a small fraction of prospective oil fields have been scratched. Oil is being produced in about 200,000 sq. mi.; the American Assn. of Petroleum Geologists counts an additional 1.66-million sq. mi. in the U.S. as likely to yield oil.

• Even in regions now producing oil, more reserves will be found. Exploration and extraction methods are both being improved.

The same number of wells have been drilled in the past 26 years as in the preceding 67 years, the report states—but more than four times as much oil has been discovered. Average daily production per well in 1951 was nearly twice as much as in 1925 and three times as much as in 1918.

• **Economic Incentive**—The report puts in a strong plug for freedom from government interference with the industry. It declares that market restrictions and price control "reduce the incentives for future discoveries."

"It has been the extraordinary ability of the petroleum industry to supply liquid fuels at reasonable prices that has created the huge market for oil products," says NPC. This has, in turn, "provided the incentive for the risk of further capital in the search for still more supplies."



Air-Going Junior

This less-than-300lb. helicopter, the XH-26, is designed to be carried and dropped by larger planes. It can carry two men, and be used for evacuation, according to American Helicopter Co.

CAB Gets Tough

Cheaper air coach shapes up into a dead certainty, as CAB tells airlines to reduce fares or get out of business.

It took Civil Aeronautics Board a long time to warm up to the idea of air coach service. But now that it has bought the idea, it obviously means to go the whole way. Last week it told six major airlines to cut their air coach fares or get out of the business.

CAB wants the certified lines to reduce their rates to 4¢ or less per mile for night-time (off peak) air coach and to less than 4½¢ on daylight coach. It set Mar. 1 as the deadline for filing the new tariffs that would go into effect Mar. 31 (under CAB regulations, new rates must be filed a month in advance).

• **The Truants**—When the Mar. 1 deadline rolled around, six airlines were still not in line. CAB got out the whip, told the lines they must either file such tariffs or suspend the nonconforming service on Apr. 1. And the board not only wants lower air coach fares, but more air coaches. The lines involved are Capital, Eastern, National, Northwest, United, and Western.

This month the six lines will announce lower coach fares.

It wasn't a simple meeting of the minds. If the certified lines don't go along with CAB, Congress may hand air coach over to the nonscheduled operators—lock, stock, and barrel.

• **Where It Hurts**—There'll be a lot of moaning as the lines trim their rates, because costs are kiting with the March wind. But the moaning will be loudest where the less competitive routes are involved. Observers had predicted that fares would come down voluntarily on the most competitive routes (BW-Jan.26'52,p77).

• **Misdemeanors**—The new CAB edict hit Capital and Eastern as chief offenders, because neither of them had moved to file reductions from their current rates.

Northwest, United, and Western had failed to lower their night coach fares to 4¢. The board also hit Northwest for operating its coach services with luxury seating instead of converting to the high-density seating specified by the board.

National got caught on a technicality: It had gone the whole hog on its New York-Miami cuts, but had filed only its "intentions" to lower fares on the in-between routes. National has already buttoned things up now with new coach fares filed at 4¢ or less a mile all around.

● A steel strike looks more probable this week than ever before.

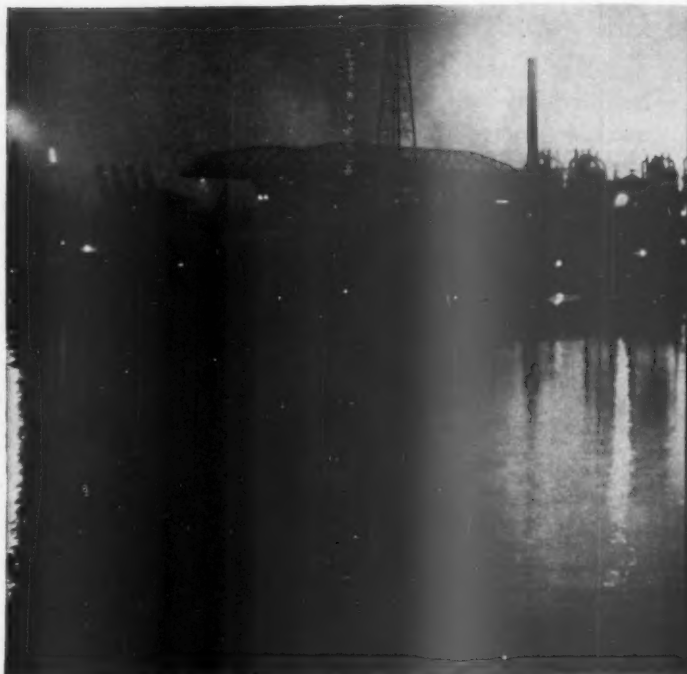
● It won't be a strike over wages.

● Government, industry, and union are agreed on a 20¢ package.

● But Washington is unwilling to grant more than a \$3-a-ton increase in the price of steel.

● The industry insists it needs \$6 to \$8 to cover the pay increase.

● That's why you can see...



Looming in Steel: A Strike Over

This week a steel strike looks likelier than ever. If it comes, its real object will be to raise prices, not wages.

That's the startling turnaround triggered by the latest developments in Washington and Pittsburgh.

Here's what has happened:

For all practical purposes, the wage dispute is settled. Wage increments totaling about 20¢ an hour will be awarded steel workers—eventually. That's O.K. with the union. It's also O.K. with the Wage Stabilization Board, which can justify a boost of that magnitude as technically permissible under going stabilization rules. And the steel companies are resigned to it.

It's also been decided that a \$3.00-a-ton price increase should be allowed the steel industry under the Capehart Amendment to the price control laws. This much increase is O.K. with the Office of Economic Stabilization—and a matter of some indifference to both the union and WSB. But \$3 is far from O.K. with the industry.

The controversy in steel has become a price dispute.

● **Convincer**—That's why a strike now looks so probable.

In another fortnight the industry will

have exhausted its arguments to OES without appreciably raising the \$3.00 figure; at that point, it will have only one convincer left: Reject the wage award; "invite" a strike; let the pressures mount when steel production is choked off; and let that change OES' mind.

No matter what it says on their sandwich boards, Phil Murray's pickets will be on strike to get steel prices raised.

I. The Companies' Thinking

Such a strategy has its precedent. In 1946 work stoppages established a record of strike-idleness never approached before or since. With the exception of rubber, every major unionized industry was struck. Steel was among them. And although in steel, electrical manufacturing, and some of the others, the ostensible strike cause was wages, in actual fact it was the issue of prices that closed the plants.

The steel companies, along with other industries, were trying then to bargain sizable price increases from OPA. They were successful—but only after their plants had been closed by strikes and the pressure to resume pro-

duction became intense enough to make OPA jack up ceilings more than it otherwise would have.

● **No Alternative**—Whether such strategy will succeed again remains to be seen. A sizable group in the steel industry now appears determined to try it. According to companies in this group, they have no alternative.

Here, necessarily held anonymous, is the company-by-company reaction to the "20¢-wage-\$3-price" deal:

Company A: "Impossible. For each penny of wage increase our costs will go up 44¢ per ton. To stay even—without any of the relief to which we are entitled—we'd have to have an \$8.80 price increase to cover a 20¢-an-hour pay raise. We just can't take less."

Company B: "A price increase must be in the \$6- to \$8-a-ton range. Anything less is simply not acceptable. It would mean that the industry will have to take a stand... Yes, a strike if you want to put it that way."

Company C: "For 20¢, the price must go up \$9. And what about retroactivity? The wage increase will be retroactive to Jan. 1; we can't make the price change retroactive. You can see what that does to first-quarter



Prices

earnings—and how do we make up for that quarter?"

Company D: "We make a lot of specialty steels. This deal calls for a straight, across-the-board \$3 increase for the industry. It would cut our throat. The manhours on one of our standard products, for instance, make a 20¢-an-hour pay raise add over \$300 per ton to our production costs. How could we live with that?"

II. The Government's Thinking

To counter this incipient revolt, Washington has cooked up a plan that, it hopes, will prevent a repetition of 1946. The plan calls for granting the \$3 price increase before a wage award is issued, and with no apparent connection between them. This is how such a plan would work out, according to its proponents:

The industry would be granted a \$3.00-per-ton price hike with no strings attached. It is expected that the steel companies will say they wished it were more, but will put it into effect immediately.

Then the 20¢ wage award comes along. Having embraced the new price schedule, the industry will be in a bad

public relations position to reject the wage award. It would look "too selfish and grasping."

• **You Can Always Sue**—If the industry screams about the hardships of the wage scale, the companies will be invited to file requests for further price relief with OES. When you press your questioning on just how meaningful a second petition for higher steel prices could be in an election year, you are reminded of what Sen. Taft said recently to John L. Lewis in another connection: "Under our law anyone can sue the Bishop of Boston for bastardy."

• **For the Record**—A significant aspect of the steel case, as it stands today, is that there is little quibbling about the "around 20¢," which is taken as settling the wage question. The dramatic industry-union negotiations in Pittsburgh and the spotlighted hearings held in Washington and New York by a special WSB panel were probably as superficial and purely ritualistic as any discussions ever held upon which an issue of such importance turned.

Throughout the months of so-called bargaining and hearings, the parties simply made speeches at each other, the real purpose of which was to make a public record. It helped the panel not at all to understand the issues in the case to be told by a steel industry spokesman that the steelworkers were "the economic royalists of the labor movement" or to be told by the head of the union that a vice-president of U. S. Steel was an "evasive, slippery little Johnny."

This was the tone of the proceedings; and one member of the panel privately confessed that, after it was all over, he and his colleagues were less enlightened about the issues than they were before the hearings began.

"The only thing we were really sure of," he said, "was that these people were no-fooling mad at one another."

So the 20¢ figure may properly be considered a "political solution" of the wage question. Given the temper of the parties, the importance of the case, and the fact that 1952 is a Presidential election year, a nonpolitical solution may not have been possible anyway.

• **Cold Comfort**—Those employers outside of steel who feared that, because of the peculiar economics of the steel industry, a 1952 wage pattern made in steel would hit them hard may find some cold comfort in the fact that the steel wage increase has little to do with economics.

III. Bad Blood in Steel

But important though the wage decision will be for labor relations over a wide area, the real dynamite in the

steel case may yet prove to be the bad feeling that it is now clear exists between the leading companies and the steel union.

The accusations and counteraccusations, the charges and countercharges of bad faith, the mutual recriminations and the downright nastiness of the industry-union exchanges betoken more than the usual strains and extreme rhetoric that characterize many important negotiations. And they also betoken more than the mere falling-out of two men, Philip Murray and John Stephens, who by their leading positions on the union and industry side are the personal symbols of the two groups.

• **Less Progress**—Basically, there is something wrong with labor relations in steel. The industry and its union have not made the progress other industries have made toward a viable modus operandi. The bitterness and acrimony present when the heads of the union and the heads of the industry face each other is an effect of there being something wrong, not the cause of it.

And one need not seek far to find what it is that's wrong. The day-by-day relations in the plant are the source of the trouble. Neither the union nor the industry has been skillful in getting grievances settled. The result is a constant residue of bad feeling between men and management, which does more to keep the atmosphere embittered than the wildest demands presented in once-a-year contract negotiations.

Pirating of Engineers Rouses OSS to Action

The Office of Salary Stabilization is trying to end job-hopping and pirating of engineers, which it feels is "a particularly aggravating problem" due to the shortage.

There are no government manpower restrictions, as there were during the war. So OSS director Joseph D. Cooper is exploring the possibility that the undesirable practices can be discouraged by suitable salary-control regulations.

First OSS targets are the engineering firms. A questionnaire is going out to them soon asking for information on compensation and employment practices before Korea and today.

From the answers, OSS hopes to get clues to violators. This will be helpful in drafting a special regulation covering compensation of engineers.

Mobilizer Charles E. Wilson and the Atomic Energy Commission are reported to be particularly upset about complaints that engineering firms hire engineers from industrial employers and then sell back their services.

More du Ponts...

... 183 of them, named in government petition to enlarge its antitrust suit against the family.

The government this week reached out a sweeping arm to bring 183 more members of the huge du Pont clan into its antitrust suit against the tribe.

The move took the form of a petition to add the 183 du Ponts to an earlier suit that had named three leaders of the clan and five corporations that the government says are controlled by the du Ponts.

The corporations, whose total assets are well over \$6-billion, are E. I. du Pont de Nemours & Co., General Motors Corp., United States Rubber Co., Christiana Securities Co., and Delaware Realty & Investment Co. The persons named in the suit were Pierre S. du Pont, Lamont du Pont, and Irene du Pont.

• **10 Families**—The government's petition to add 183 more du Ponts to the list of defendants makes frequent references to "10 du Pont families" that control the bulk of the du Pont wealth. And it points out that, though its list of names is long, it nowhere near encompasses all the 800 family members.

The families to which the government refers are those headed by Pierre S. Lamont, Irene, William K., and Henry B. du Pont; Margaretta du Pont Carpenter, Louise A. du Pont Copeland, Mary du Pont Laird, Isabelle du Pont Sharp, and Felix A. du Pont.

The main object of the government suit is to make the du Ponts give up their control of the Christiana and Delaware companies, which the government says are holding companies wholly owned by the family. It also contends that, through these companies, the du Ponts control GM, U.S. Rubber, and the du Pont company itself. The latter, recent corporation reports show, owns close to 23% of GM's common stock. The du Pont company also holds 60% of the common and 99% of the preferred stock in Remington Arms Co.

• **Sale of Tires**—Members of the du Pont family are said to hold 17% of the stock in U.S. Rubber, whose tire division sells one-third of its tires to GM.

The over-\$6-billion figure set for the corporations named in the suit does not include the Delaware company, for which no figures are available. Assets for the others are listed as: GM, \$4,582,955,972; du Pont, \$1,973,663,082; U.S. Rubber, \$463,211,159; and Christiana, \$52,217,986.



Rubber Returns to Market...



... But Shows No Bounce

The government has relaxed its monopoly on rubber purchases. So the trading in rubber futures resumed on the New York Commodity Exchange for the first time since Mar. 30, 1951.

It wasn't much of a day in the rubber "ring" (upper), although a few obliging brokers helped out photographers by posing in the ring and at the phone booths

(lower) where orders come in. Few of the brokers actually opened their mouths; only 500 tons of rubber changed hands. Prices, which opened at about half the levels of March, 1950, dropped steadily during the day. Rubber for September delivery was 43¢ a lb. at the opening, sagged later to 32¢. December rubber started at 30½¢, slipped somewhat to 29¢.

Mobilizers Plan Looser Control System

● With metals getting easier, officials expect to drop the Controlled Materials Plan at the end of this year.

● They'll then go back to a simple priority system for a few still-scarce metals.

● They will also back-pedal on plant expansion—on the grounds that we now have enough under way to meet most long-range military needs.

Unless there's a new military crisis, you will probably see the end of most materials controls next January.

That's a full year earlier than anyone expected. But top metals experts now advise mobilization boss Charles E. Wilson and production controller Manly Fleischmann that we can ditch the Controlled Materials Plan early next year. They recommend some lesser controls in its place, to give the armed forces the first crack at metals they need—but nothing approaching the present detailed parceling out of steel, aluminum, and copper for all types of production.

• **Go Slow**—Wilson and Fleischmann haven't formally O.K.'d the timetable for dumping CMP yet. But already they're blueprinting a gradual watering down of materials controls during the last half of 1952.

And they've told their top aides: Go slow on government aids for expanding production of steel and aluminum. We've already provided for more of those two metals than the military will be able to chew up.

The reason for the switched signals on metals controls is a new report from the Pentagon. It estimates long-range metals needs of the military for the recently stretched-out program of weapons building. The stretchout (BW-Jan.12'52,p19) lowered scheduled peak rates for arms production and extended final delivery dates to mid-1954 instead of 1953.

• **Fair Share**—Specific figures on military metal needs are secret, of course. But controls officials now are sure there'll be ample steel and aluminum next January for military needs and most civilian uses, too.

Copper and a few other metals will still be scarce. So government allocations of these probably will continue to be tough to make sure civilian users get a fair share. And shortages of alloying metals—nickel, cobalt, manganese—may call for continued parceling out of stainless and other very hard steels. But even for these metals, decontrol is within sight—almost certainly by 1954.

For aluminum and most types of

steel, the controllers are thinking in terms of a priority system something like the one they used before CMP took over. This probably would provide a single DO, or other rating, for military use of steel and aluminum for end items and components.

• **No Surprise**—Signs of relaxing controls have been showing up steadily in the last few weeks. First, officials started telling industry groups that second-quarter (April-June) allotments of steel, copper, and aluminum would be

the toughest that nonmilitary producers would have to take. This kind of talk now has switched to a virtual promise of more metal after July 1 for most civilian products—and now even second-quarter allotments may not be so tough.

The controllers have told automobile manufacturers they would "seriously consider" raising the 930,000-unit ceiling on passenger-car production for the April-June quarter to 1-million. Auto and other consumer goods makers already have been given additional aluminum, more than their scheduled second-quarter allotments.

Restrictions on structural steel, up to now the scarcest form of that metal except stainless and plate, also are being eased. The lid stays on industrial construction for a while, but only because of the shortage of copper for equipping new plant.

• **On a Par**—Reduced estimates of military demand for steel and aluminum make it unlikely that the government will grant much more tax relief for any new facilities to produce them. Even before they saw the military estimates the mobilizers had decided we are building enough steel ingot production. But they do still want more related production, like coke and pig iron.

Washington is equally sure that expansion of aluminum now in the works—plus a deal, nearly completed, to buy 1.7-million tons of aluminum from Canada over a seven-year period—will keep us ahead of military demand. So any application for five-year tax amortization will have to plead something other than military urgency. And that will be tough.

• **Little Help**—Machine tool production is in much the same boat. Some loans and fast amortization for new tool plants are still in the bureaucratic mill, but they'll be about the last to get by. Reasoning is the same as on steel and aluminum: We have set up about all the tool capacity the military is going to need.

The same thing applies to new aircraft plant, except for some new facilities to turn out jet engines.

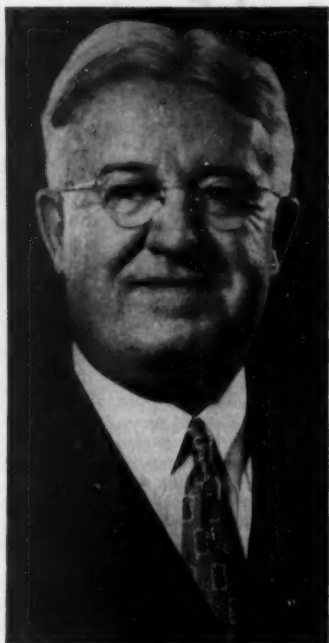
• **New Goals**—Other industrial expansion will get help according to its status in relation to Defense Production Administration goals. These are set up on industry-by-industry basis. For example, petroleum and electric power production have been given considerable tax relief, but they'll still get a lot more if they need it to get in line with DPA goals.

Some chemicals goals, say nitrogen and chlorine production, have been met, but a new nitrogen goal is being set. It will call for considerable new expansion.



Dialing Minus Dial

A cylinder replaces the dial on this newly designed telephone being shown in Frankfurt, Germany. The manufacturers claim that it will speed up and simplify the business of signaling. To the layman, it looks as if the cylinder would eliminate the skidding that often besets the around-the-clock dial. And the long dial finger-trip to register a nine or a zero will be a mere short flip of the finger now. Proponents of the German phone say that not only will you dial the right party, but you will hear it, too, thanks to a sound modulator.



HANCOCK, Lehman Bros. partner, and ...



WEINBERG are charged with having ...

Too Many Directorships

Back in 1914, Congress put new teeth in the antitrust law by passing the Clayton Act. Section 8 reads:

"... No person at the same time shall be a director in any two or more corporations ... if such corporations are by virtue of their business or location of operation, competitors, so that the elimination of competition by agreement between them would constitute a violation of any of the provisions of any of the antitrust laws."

After 38 years, that somewhat loosely worded law is about to get a test in court. The Attorney General filed suit last week against two investment bankers (BW-Mar. 1 '52, p20). The guinea pigs:

- Sidney J. Weinberg, senior partner of Goldman, Sachs & Co. He's a director of both B. F. Goodrich & Co. and Sears, Roebuck & Co.

- John M. Hancock, Lehman Bros. partner. His directorships include (1) Jewel Tea Co. and Kroger Co., (2) W. T. Grant Co. and S. H. Kress & Co., (3) Sears, Roebuck and Bond Stores, Inc.

Antitrusters say these joint directorships are illegal.

- **Hancock's Case**—Hancock this week resigned his directorship in Kroger Co. Should Hancock decide to battle it

out in court on his other directorships, a decision in his case could pin down once and for all the exact meaning of the Clayton Act.

Up to now these points have never been threshed out. Directors challenged by the Justice Dept. have quit rather than make a fight of it.

Hancock admits that Kroger and Jewel Tea can be considered competitors in the Chicago area. But he says it's nonsense to think the boards of either company would keep him as a member if he asked either one to "take it easy" on the other. Then, too, there would be little possibility of "eliminating" competition on the grocery field simply because Kroger's and Jewel Tea had one common director.

- **Weinberg's Case**—With Weinberg, it's another story. This week his lawyer made it plain his client would fight the suit in court. Both Sears and Goodrich told Weinberg to go ahead; they'd back him up.

From a layman's eye view, the antitrusters might have a case. But Weinberg's lawyer says no. His position:

Sears and Goodrich are competitors only by stretching the meaning of that word to absurdity. (One is essentially a manufacturer, the other a retailer.)

Weinberg makes another point:

The Clayton Act has been on the statute books for almost 40 years. Weinberg has served on both Sears and Goodrich for 22 years. So why have the antitrusters picked this time for a showdown? There's no ready answer.

- **Background**—Current history on interlocking directorships began back in 1947, when Attorney General Tom Clark announced results of a six-month survey of the whole problem. It covered 10,000 persons in 1,600 leading corporations. About 1,500 directors were found to have seats on more than one board. But only 60 of these were alleged to be directorships in competing concerns and in possible violation of the law.

At the time of his announcement, Clark said 20 of the 60 directors on the doubtful list dropped one or more directorships to bring themselves into line with the attitude of the antitrusters.

Ever since then, the division has had a more or less sporadic letter-writing campaign based on situations spotlighted in the 1947 survey plus other possible interlocks that have cropped up in the financial papers. Until last week the threat of publicity and the letter-writing campaign have been effective enough to satisfy the antitrusters. But apparently Weinberg and Hancock decided to see whether or not they were in violation of the law.

- **Why Now?**—That still leaves the question of timing up in the air. There are a number of possible answers. Few Washington insiders think this is a major antitrust campaign, but:

- It's appropriation time. The antitrusters must figure this will do them some good on Capitol Hill, get their names in the papers and on the editorial pages.

- The Justice Dept. might also be miffed because of the slapping around it got in its Investment Bankers Assn. suit in New York. Both Weinberg and Hancock are investment bankers.

- Bureaucratic jealousy might be involved, too. Last year the Federal Trade Commission, which has authority to enforce Section 8 of the Clayton Act, got out a full-blown report on the 1,000 biggest manufacturing corporations. The FTC findings were that not many directors violated the Clayton Act (it has brought no open charges of its own). FTC wants some kind of law banning a man from serving on two boards of companies a certain size or larger whether or not there is direct competition between the two.

After FTC's report, Sen. Hubert Humphrey (D. Minn.), ardent Administration supporter, introduced a bill that would prohibit anyone from serving on the boards of more than one company with assets over \$60-million.

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BUSINESS BRIEFS

Wayne Coy's job as radio-TV consultant for Time, Inc. (BW-Mar.1'52, p28), is taking shape. The publishers this week announced purchase of Albuquerque Broadcasting Co., operator of New Mexico's only TV outlet as well as a radio station. Coy, former FCC chairman, will be half-owner of the broadcasting company. Time apparently is going into the TV business.

Don't overrate last week's District Court decision upholding one-shot "collapsible" corporations for tax purposes (BW-Jun.24'50,p72). The ruling on F. Hugh Herbert's "Kiss and Tell" corporation will be appealed by BIR.

Ford and Cleveland Cliffs have picked a name for their new jasper beneficiation company to operate in northern Michigan (BW-Nov.24'51,p21). It's Humboldt Mining Co.

Department store sales in New York City during February were down 8.5% not counting Loeser's (BW-Feb.23'52, p21), 5% counting Loeser's. That's comparing with the swollen figures of February, 1951. Loeser's closing-out sale, which ends this week, boosted its volume 71.5% over the 1951 month.

Aircraft personnel: Joseph T. McNarney, retired Air Force general, became president of Consolidated Vultee Aircraft Corp. His predecessor, LaMotte T. Cohn, moves to board vice-chairman. . . . Branch T. Dykes succeeded Alfons Landa as president and as a director of Colonial Airlines.

Gillette is shaving off part of its corporate name, if stockholders approve on Mar. 26. Instead of The Gillette Safety Razor Co., it would be simply The Gillette Co. That's because the company has broadened its product line.

Radio station WKYW in Louisville, Ky., once sold its off-the-air night-time silence to a mattress company (BW-Aug.2'47,p22). Now it's selling noise—the din of a construction project next-door to the studio. Sponsor: the bank that's putting up the new building.

In Guatemala, United Fruit Co. won a point in its wage dispute with 1,600 Puerto Barrios dock workers. The Labor Court of Appeals cut the rate of increase in half. Meanwhile, the Guatemala government was putting United's storm-blasted Tiquisate plantations up for auction to satisfy claims (BW-Feb. 16'52,p188).



You certainly don't want to let quality slip in favor of volume, but there's always the chance of it happening whenever the emphasis is laid on maximum output.

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MARKETING

A Price Spin for Phonograph Records

Underselling puts the market under jungle law—marginal manufacturers and dealers stand to be gobbled up.

It's easy to get into the business of marketing classical phonograph records. About all you need is a tape recording, the right to have it put on records, and a label to stick on the records—plus a marketing outlet. Of course, there's a catch. Chances of surviving in the present dog-eat-dog market are bad, and getting worse.

The longhair record industry is in the throes of a price upheaval. Manufacturers and dealers share a shudder at the thought of another such price crash as they had back in 1940.

• **Price-Cutting**—This fear was raised in New York last weekend by Liberty Music Shops, which advertised the beginning of "an important sale of all records" at 30% off. It applies to all three types of records—33 $\frac{1}{3}$ rpm. (LP), 45 rpm., and the old-fashioned 78 rpm. But the big battle is over the LP's, which provide the bulk of the classical business.

A similar announcement by any other retailer might have caused some flurry in the trade. But Liberty, one of the country's major record retailers, is notably a conservative, last-ditch supporter of the status quo in prices. So Liberty's sale created something more than a flurry.

• **To Justify It**—Liberty vented a couple of peevish against the record manufacturers:

Price-cutting: "It seems absurd for a manufacturer to advertise nationally a 12-in. long-playing record to sell at \$5.45 when, with full knowledge on the part of the manufacturer, such records are being sold widely at 30% off."

High prices: "Many new enterprising record manufacturers have proved that it is possible to produce 12-in. LP records of music, played by fine orchestras, which sell for as little as \$2.19, and in some cases less."

"We believe," said Liberty's press statement, "that the prices of records will come down, and we are anxious to clear our inventories before they do."

• **Effective Scare**—Liberty may really believe prices are headed down anyway, or maybe it doesn't. Either way, the announcement had the effect of knocking prices down.

Anticipating this effect, RCA Victor hastened to announce that it "does not presently contemplate any change" in its pricing, and Columbia Records

vowed, "it is not our intention to reduce the value of the dealer's inventory by reducing prices at this time."

But the fat was already burning. By early this week a price war had started spreading in New York. Macy's cut 6% below Liberty; Abraham & Straus knocked 40% off list prices.

• **Healthy With a But**—It was strange to find the record industry in this unpretty pass, for the business in general is healthier than at any time since its fabulous wartime highs.

Nobody seems able to set down precise figures for phonograph record sales. But trade guesses run from \$150-million to \$200-million over-all for the past year or two, and sales are thought to have been about 10% higher in 1951 than in 1950. Classical records account for about 40% of volume nowadays, compared with about 30% in prewar (short-playing) years.

Sales this year are still riding high. The dark days of 1949 and its paralyzing three-speed mixup (BW-Apr. 8 '50, p80) are almost forgotten. Millions of people have now bought record players to take advantage of the new speeds. As predicted, the new LP's and 45's have boosted the over-all market for records. They've stimulated interest and lowered prices generally. Yet, at the same time, price-cutting has flourished.

• **Supermarket**—The man who gets most blame—or credit—for this is Sam Goody, who is by now New York's and the nation's most famous record retailer. For several years, starting well before the Supreme Court, Goody has been maintaining a 30%-off policy on all records. Today Goody has cornered a large chunk of the New York market. Liberty and others in the conservative camp have admittedly lost volume to Goody's supermarket operation.

There are a lot of other price-cutters in New York; elsewhere, there aren't many. Nevertheless, the New York situation has finally begun to make itself felt elsewhere. The new, light, unbreakable 45's and LP's can be shipped easily and cheaply where the old 78 albums couldn't. So a big mail order business in records has sprung up.

• **Deeper Trouble**—No matter how the trade points a finger at Sam Goody and a few other price-cutters, the problem

goes deeper than that. Perhaps the thing that really troubles the industry most is the fact that almost anyone with a little capital can get into it.

The manufacturing side of records is a little like book publishing. All you need is a tape recording of somebody playing something. You can take this to Columbia or Victor and have them make pressings with your label on them.

The new record speeds lowered the cost of records and made it possible for more shoestring operators to go into business. Columbia Records estimates there were less than two dozen record companies in 1948; more than 125 are making LP's today. Many of these are little more than record "publishers," who buy a tape recording made in Europe (where artists come cheap) and have it put on records here.

• **Too Many Cooks**—This flood of records has been wonderful for the collector, who has a wider choice than ever to pick from. But it's tough on the industry, which now suffers from overproduction.

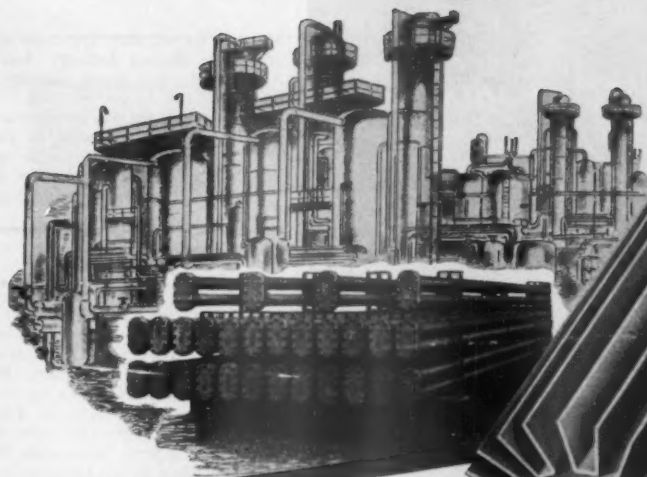
At the same time, on the retail side, there are more people selling records than ever before. This situation is aggravated by the fact that some of the major record companies pursue their time-honored practice of loading the dealer with more inventory than he can carry.

• **Costs**—The record companies naturally deny that their prices are out of line. They point out that records are one commodity that cost a lot less than they did in 1938. (An album that cost \$13.25 then now costs \$5.45.) They also say that costs are rising.

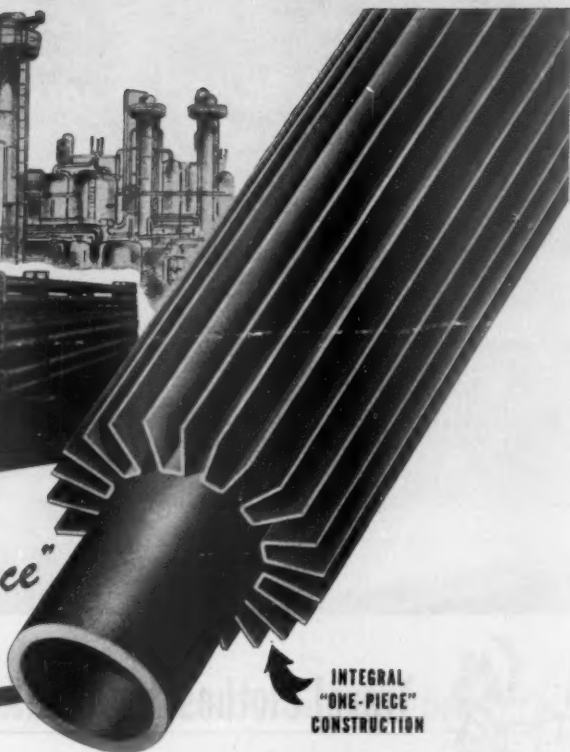
Against this, the trade argues that the cost of the new records has gone up once since their introduction. It also comments on the screwy economics of an industry where the goods—the records—can be turned out very quickly and cheaply, but where the incidental costs—albums, royalties, advertising—run high.

• **Good or Bad?**—For these reasons, Liberty's action has great significance. As Liberty points out, the 1940 price break increased volume enormously, made the record industry bigger and more prosperous than it had been since radio blighted it.

Are we going to get the same cycle again? The record makers say no. They claim that the price war at the retail level isn't going to last. Nevertheless, they're worried. A few weeks



BROWN Integral "One-Piece" FINTUBES



INTEGRAL
"ONE-PIECE"
CONSTRUCTION

Definitely Superior for Heat Transferring Services

● Manufactured by an exclusive process, conceived and developed by our engineers, Brown fintubes have demonstrated repeatedly their increased efficiency.

The greater outside area,—1 to 8 times that of plain bare tubing—provides the additional surface needed for heating oils and other hard to heat fluids . . . and permits fewer, or shorter Brown fintubes to be used for a given service, saving weight, space—and tubing.

The greater surface permits more BTUs to be transferred at lower temperature per square inch of surface. This results in faster heating without burning the material, and avoids building up overheated deposits such as carbon on the surface, reducing the heat transfer efficiency and damaging the product being heated.

The longitudinal passages direct the fluid along the heated surfaces, keeping them clean. There are no baffles to build up back pressure, and no eddies or stagnant areas to encourage fouling. Pressure drop is held to a minimum, reducing pumping costs.

The integral welded one-piece construction positively prevents the fins from working loose from the center tube, as when a mechanical bond is used, and enables Brown Fintubes to maintain their originally high heat transferring efficiency during the entire life of the tube.

If you heat—or cool—liquids or gases in your plant you can increase the efficiency by using Brown Fintube heat exchangers. Send for Bulletin 512 today. It describes how we can save you money.



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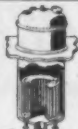
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Travel clothes for textiles

Your product can also travel "first class" in H & D shipping boxes . . . often with substantial savings in materials, handling and transportation costs. This engineered box, with horizontal score lines to permit adjustable depths, weighs $\frac{1}{8}$ as much as the one formerly used.

Give your product every advantage H & D boxes have to offer. Call for an H & D Package Engineer to study your problems and offer his recommendations. For the full story write for the 14-volume "Little Packaging Library." Hinde & Dauch, 5214 Decatur St., Sandusky, Ohio.

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Authority on Packaging

ago they formed their first trade association, the Record Industry Assn. of America. Its first closed meeting took up the subject of price cutting.

But whether the manufacturers drop prices or not, in the words of one of them, "1952 will be a jungle operation." It's bound to get rid of a lot of marginal dealers and record makers.

MARKETING BRIEFS

Fair traders won a round when two House subcommittees voted favorably on bills to make price resale maintenance binding on nonsigners (BW-Feb.23'52,p165). Now it's up to the Judiciary and Interstate & Foreign Commerce Committees to decide if the bills go to the floor. Meanwhile, R. H. Macy has taken its anti-fair-trade case to the advertising columns of the press.

Jacob Ruppert reported a profit in 1951, for the first time in four years. Net was \$479,099, against a loss of \$1.6-million in 1950. F. M. Linder, president, says main credit goes to Knickerbocker beer, reintroduced last year (BW-Jun.23'51,p136).

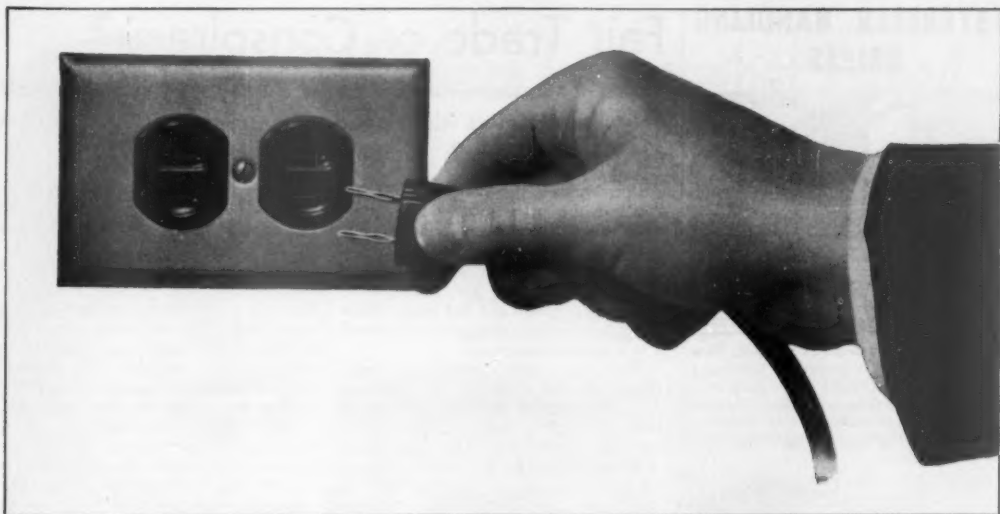
Retail sales for 1951 were \$151-billion, up 5% from 1950, says Commerce Dept. Unit volume dropped about 4%. Durable goods showed the biggest ups and downs, sagged the most in the final quarter. Only food stores and eating and drinking places held steady in terms of constant dollars throughout the year.

Textile woes hit Pacific Mills in 1951. Its net profits were \$905,868 or 9¢ a share, compared with \$6.1-million or \$6.39 a share in 1950. "Test tube" synthetic fibers will turn the tide, however, president H. M. Bliss thinks.

The ceramics hobby brought Ferro Corp., big industrial producer, into the consumer field. It formed a ceramic arts supplies division to retail a complete line of supplies.

Pabst Brewing Co. has a TV boxing show (Blue Ribbon Bouts) over CBS every week. But Twin Cities' WCTN-TV will air the show only every other week. Pabst is trying to needle the station into selling it more time by arousing the public. It is telling what's what in newspaper ads.

Add suburban stores: Snellenburg & Co., Philadelphia department store, will open its first suburban branch early next year in Willow Grove, Pa. It hopes to get customers from Bucks County, where U.S. Steel's big new plant will swell the population.



plug in here . . .

. . . to cut office costs, increase man power

THERE is a place in your office for this new Royal Electric. No matter how many standard typewriters you use, there are special typing jobs that call for Royal Electric.

With it you can step up production on some jobs and thereby lower office costs. You can get out more letters. Invoices. Stencils. And free typing-personnel for other work in the bargain.

Every time you plug in a Royal Electric you cut office costs, increase man power.

Royal makes the finest, most rugged writing-machines ever built. They stay on the job longer with less time out for repairs.

Royal Standard Typewriters are preferred 2¼ to 1 by girls who type, and with Royal Electric you get all the advantages of Royal Standard PLUS ELECTRIC POWER!

Look into the advantages of the newest member of the Royal Typewriter Family . . . Royal Electric. The coupon will bring you details.

ROYAL

**STANDARD
PORTABLE
ELECTRIC**

**Made by the world's largest
manufacturer of typewriters**



Royal Typewriter Co., Inc., Dept. 119
2 Park Avenue, New York 16, N. Y.

I would like a copy of the brochure, "Picture of Progress," describing the Royal Electric.

NAME _____

COMPANY _____

ADDRESS _____

MATERIALS HANDLING BRIEFS



Hungry steel mills demand a steady flow of materials. This group of Wellman Hulen-type Ore Unloaders scoops up iron ore from lake freighters, feeds it continuously either to railroad cars or to stockpile. Huge freighters are unloaded in a matter of hours.



Coke ovens are tended efficiently by Wellman Combined Coke Pusher, Coal Leveler, and Door Extractor. This machine moves on rails to service a different coke oven every few minutes.



Fast movement of materials is made possible by rugged Wellman Ore Bucket, of 17-ton capacity. Durable welded bucket operates smoothly on roller bearing sheaves. When you need machinery to handle heavy bulk materials, or specialized steel mill equipment, call on Wellman to build it... better. The Wellman Engineering Company, 7000 Central Ave., Cleveland 4, Ohio.

Wellman will build it!



Fair Trade or Conspiracy?

To maintain retail prices, Sunbeam Corp. supplied only those dealers who signed price agreements. Antitrusters are charging illegal "combination and conspiracy."

Ever since the Supreme Court knocked the props from under retail price maintenance in the Schwegmann case last year (BW-May 26 '51, p. 25), manufacturers have been faced with a tough problem. Just how tough, Sunbeam Corp. found out last week, when the government's antitrusters launched a suit against it.

The antitrusters' complaint: Sunbeam has run afoul of the Sherman Act in its effort to keep retailers in line on consumer prices for its electric toasters, mixers, and other appliances.

• **Without Teeth**—The basic problem Sunbeam tried to lick was created when the high court knocked the so-called "nonsigner" clauses out of the state laws. As a result of this decision, retail price maintenance—or, as its adherents call it, "fair trade"—was no longer binding on merchants who didn't sign fair trade contracts with manufacturers.

Since this was the teeth of fair trade, the decision raised the very real problem of how manufacturers could still maintain a fair trade pricing structure. One solution manufacturers hit on was to get each retailer who sold their products to sign a contract fixing the minimum retail prices. Such contracts are still legalized by the Miller-Tydings amendment to the Sherman Act in all states that have fair trade laws. Only Missouri, Texas, Vermont, and the District of Columbia don't have them.

• **The Catch**—Signing up everybody, however, was a costly operation. Most manufacturers found it too hard to enforce to be practical. It also had another drawback: There was danger that it could get you into antitrust trouble.

Legal authorities pointed this out right after the Schwegmann decision. Herbert A. Bergson, former U.S. Assistant Attorney General in charge of antitrust operations, put the matter succinctly when he addressed a group of fair traders recently:

"Assuming the validity of the right to refuse to sell to price-cutters, the right must nonetheless be recognized to be narrow, and must be exercised with caution. . . . In any large-scale program of price maintenance by the exercise of the right to refuse to sell, there will be real danger of agreement or conspiracy among the principals being inferred."

• **The Charges**—Sunbeam, however, went ahead with its program of signing

up everybody—and ran into trouble. Here's what the company is charged with doing, and why the antitrusters say it's illegal:

Sunbeam got individual contracts with some 1,200 of its wholesalers that (1) fixed the wholesalers' selling prices and (2) bound them to sell only to retailers who had price maintenance contracts with Sunbeam. The wholesalers worked with Sunbeam in getting retailers to sign the Sunbeam contracts.

The contracts operate like this: Once a retailer is signed up, he gets a contract number, which he must place on his order for Sunbeam appliances. The wholesaler who gets the order checks Sunbeam lists to see whether the contract number matches up with the dealer who placed it. If it matches, the wholesaler is free to ship to the dealer. If there's no contract number on the order, or if the dealer is using a number that doesn't belong to him, then he doesn't get the merchandise.

• **Illegal**—To the extent that this system is effective, though, say the antitrusters, it's a violation of the antitrust laws. Sunbeam and its wholesalers are charged with a "combination and conspiracy" to fix the retail price of Sunbeam appliances. This "elaborate system of contracts and agreements," the Dept. of Justice says, is far different from the situation in which a manufacturer decides not to sell to a retailer because he won't abide by a suggested selling price.

It's still perfectly legal for a manufacturer to do business with whomever he chooses. But the antitrusters claim Sunbeam and its wholesalers have gone far beyond this—that they've conspired and combined to boycott any retailer who won't sign a Sunbeam contract or signs it, but doesn't adhere to the fixed price.

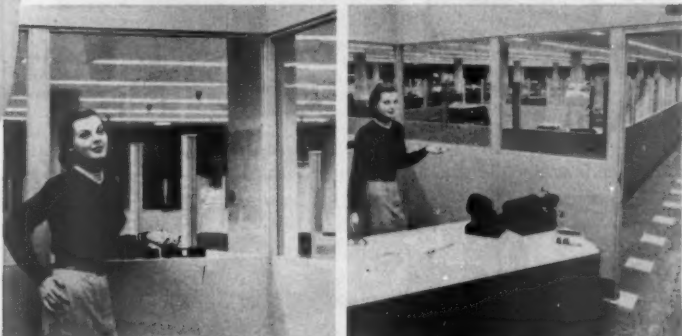
• **Difficult Decision**—The courts have had to draw a line between (1) a businessman deciding not to do business with another businessman—which is perfectly legal—and (2) a seller who uses coercion and duress to get a buyer to sign an agreement under the threat of cutting him off from his supply of merchandise—which is illegal.

The seller can cut off a buyer all right, but he's getting on dangerous ground if there's a conspiracy involved, or—under the Federal Trade Commission Act—if by cutting off a retailer the wholesaler "substantially lessens competition."

"My boss knows what I need to keep me happy!"

"Friend, you're looking at a girl with one of the smartest bosses in town. He knows what it takes to keep me and our staff happy during office hours: smart, modern surroundings and less nerve-jangling noise!

"That's why in this girl's office, you'll find our partitioning problems solved with VMP all steel Mobilwalls!



Streamlined offices with VMP Mobilwalls. Practically custom-made without paying extra.

"Look at those partitions! Beautiful? Why, they're classic! Sleek . . . flush . . . modern! You should hear our callers rave!

"My boss says our installation was practically custom-made because we had the most complete line of movable steel partitions—VMP Mobilwalls—to choose from.

"And let me tell you those Mobilwalls are flexible! Since we had them installed, we've shifted them around in a complete new arrangement—overnight! When we wanted to change two units, it was done in just a lunch hour! Think of it! No interruption in office routine! Sure our VMP all steel Mobilwalls paid for themselves with that first rearrangement!

"Look, friend, take it from a girl who knows. Install VMP all steel Mobilwalls and see what a difference they'll make in the appearance of your office and in the efficiency of your staff. Mobilwalls are wonderful!"

Pacemaker to progress in partition design and engineering.

Virginia Metal Products Corp.

PLANT: ORANGE, VIRGINIA



Conveyors:
vertical and horizontal transmission.



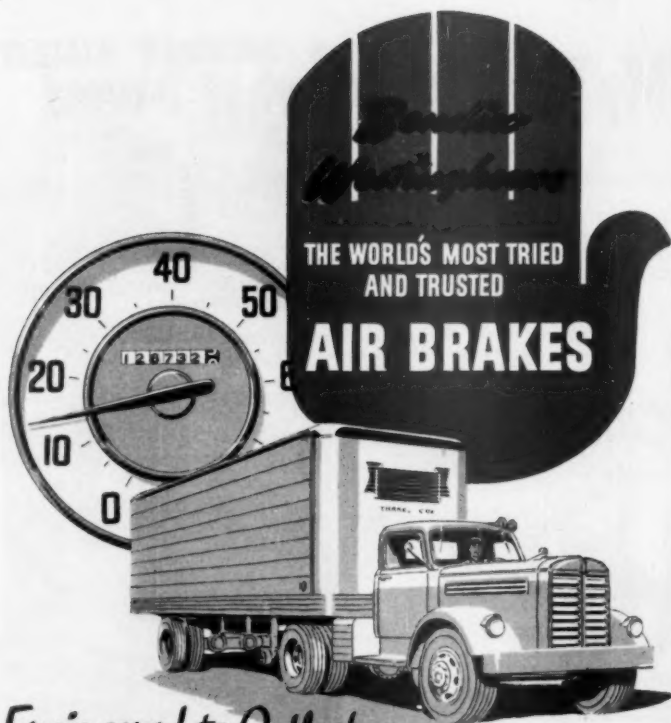
Steel Doors & Frames
never warp, sag or crack, fireproof!



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for libraries and schools—big or small.

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Mobilwall data sheets give valuable inside secrets of efficient partitioning. Write today to Virginia Metal Products Corporation, Product Information Department, 38 Hudson Street, New York 13, New York.



Engineered to Outlast Any Other Braking System

Find out for yourself—ask the owner of any truck equipped with Bendix-Westinghouse Air Brakes and he'll tell you they're a sure guarantee of long years of **reliable performance**. The Bendix-Westinghouse Compressor, for example, is designed and built on the same **proven reciprocating piston principle** as the engines in your trucks. This husky unit, like the brake valves, governor, brake chambers and all other Bendix-Westinghouse components, frequently **outlasts the engine** . . . often is still in use after the truck itself has been retired from service. It is this sturdy construction . . . simplicity of design . . . and reduced number of moving parts that produce savings—**big savings** on any hauling job. So take advantage of this **remarkable record**—make it pay off for you. Get a **lifetime system** and more braking mileage on linings, drums, and tires, by specifying smooth-acting Bendix-Westinghouse—the world's most tried and trusted air brakes!



BENDIX-WESTINGHOUSE AUTOMOTIVE AIR BRAKE COMPANY
ELYRIA, OHIO BERKELEY, CALIF.



Oh, My Aching Head!



Maybe a Shot of This . . .



Ahh! It's the Oxygen . . .



. . . Treatment—Cost: 10¢

Thirsty wartime pilots discovered that oxygen acted like the hair of the dog, only more so. Now J. P. Burns, San Antonio inventor, sells a vending machine that gives you a one-minute shot of the healing gas for a dime.

**How would you
like to see your
costs going down?**

(FOR A CHANGE)

● With spiraling costs the headaches they are today, it's especially encouraging to see examples of costs going down. And that's exactly what happened at Walter Kidde & Company, Inc. of Belleville, N. J. This manufacturer put the skids under constantly rising costs by installing six new Warner & Swasey 1-AC Single Spindle Automatic Chucking Machines.

These new machines now handle turning and chucking operations on nine different parts—all formerly done with hand-operated machines—at less than $\frac{1}{3}$ of the previous cost.

But that's not all! The 1-AC's helped solve a pressing manpower problem, because one operator can now handle two or more machines.

Result? The Kidde Company now has eight new machines on order with Warner & Swasey—which will give them a total of fourteen 1-AC's!

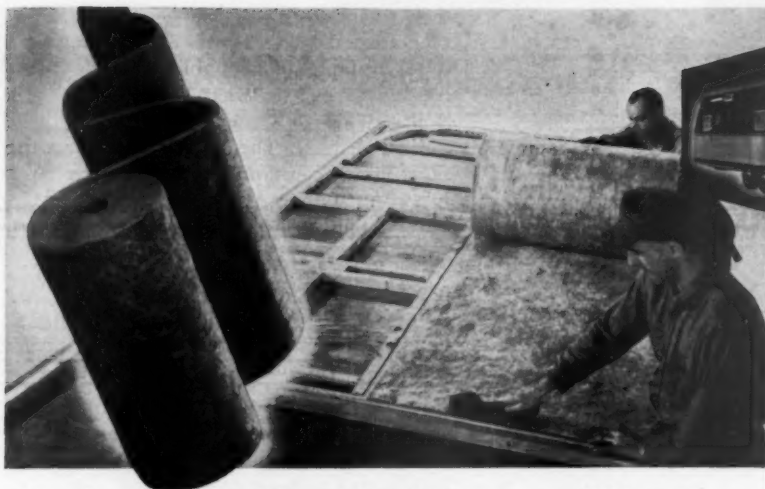


Warner & Swasey 1-AC Single Spindle Automatic Chucking Machines in use at Walter Kidde & Company, Inc., a leading manufacturer of fire extinguishing apparatus, textile machinery, aircraft and marine equipment.

**WARNER
&
SWASEY**

Cleveland

YOU CAN PRODUCE IT BETTER, FASTER, FOR LESS WITH WARNER & SWASEY MACHINE TOOLS, TEXTILE MACHINERY, CONSTRUCTION MACHINERY



Trailer Coach Manufacturers are Winning The Fight to Save Inches and Ounces by Using **VITRON FEATHERWEIGHT INSULATING WOOL...**

Weights from one pound per cubic foot to less than half a pound. Has top insulating value, high sound absorption, extreme flexibility and great ease of handling. That's why trailer manufacturers are using VITRON Featherweight Insulating Wool. Maybe you, too, have a space-weight-efficiency fight on your hands that can be solved by using VITRON Featherweight Insulating Wool.

Almost a year before Korea, Glass Fibers Inc. was supplying millions of feet of specialized glass wool to the military. It still is. But recently, new machines were completed and now this vital insulating wool is going in increasing quantities to equipment manufacturers, distributors and distributor-fabricators.

Composed of minute resin-bonded glass fibers, Featherweight Wool does not support combustion. Neither does it settle under vibration. The inorganic glass fibers of which it is composed offer no attrac-

tion for mice, roaches or other vermin. Featherweight Wool is easy and pleasant to handle—may be cut readily with scissors or knife—application costs are low. It comes to you in resilient blankets up to 72 inches wide, 200 feet long and 1/2 to 2 inches thick.

A Glass Fibers engineer with experience in insulation problems is available for consultation. Ask for his services. The coupon below will bring prompt response and start a sample of this new Featherweight Wool on its way to you.

GLASS FIBERS INC.

Manufacturers of VITRON Glass Fiber Products

Glass Fibers Inc.
1810 Madison Avenue, Dept. 11
Toledo 2, Ohio

I would like to know more about VITRON Featherweight Insulating Wool.

☐ Please have your engineer call
☐ Please send sample and information

Name.....

Company.....

Address.....

- Resists Heat
- Absorbs Sound



Typical products in which VITRON Featherweight Insulating Wool can be used to advantage



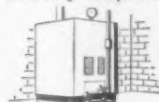
REFRIGERATED TRANSPORT
Keeps Heat Out



ELECTRIC ROASTER
Keeps Heat In



LIFE JACKET
Gives Longer Buoyant Life



HEATING UNITS
Controls Heat Loss



BEVERAGE CARRIERS
Insulates Efficiently



PASSENGER CARS
Controls Sound



AIRCRAFT
Gives Passenger
Temperature-Sound Comfort



BUY THEM like this in tins, for \$2.50 a lb., or . . .



LIKE THIS in small packages for 25¢. They're . . .

Rich Goodies for the Masses

Small packages of high-priced candies by Blum's have made a hit on candy counters at a dime and a quarter a pack. And the big de luxe packages are selling better than ever.

A company that sells to the carriage trade faces a critical question when it decides to tap the man who rides a bus, too. The question: Will the company sacrifice the prestige of its luxury products when it broadens its market base?

As the middle- and lower-income groups get richer and the rich get relatively poorer (BW—Jun. 2'51, p38), the question becomes increasingly important to sellers of top-drawer lines. It was a major concern of W. & J. Sloane, furniture merchant, when it started to stress lower-priced goods (BW—Oct. 20'51, p137). And recently, it caused an equal amount of soul searching at Blum's, San Francisco candy maker.

• **Fancy Candy**—For years Blum's has made its name in de luxe candies. It markets them by mail order and through hand-picked outlets, such as I. Magnin, Neiman-Marcus, Lord & Taylor, for about \$2.50 a lb. retail.

About a year ago the company decided to package some of its luxury confections in 10¢ and 25¢ portions and sell them over candy counters. It test-marketed them for about a year, really went at it a few months ago. On the basis of experience so far, Blum's thinks its new venture is in. Not only have over-all sales jumped, but sales of the expensive package have also jumped.

• **Bigger Sales**—Before the advent of the new packs, Blum's sales averaged \$300,000 a month. Afterward, they moved up to \$500,000 a month. But perhaps the most striking figure is this:

In Los Angeles, luxury volume has increased by more than 20% since the new small packs appeared; in New York, says president Fred Levy, Blum's couldn't keep up with the orders for the fancy items.

Blum's explains this by the greater impact of its label when it crops up on 3,500 candy counters instead of in only 125 selected outlets.

• **Error Avoided**—And it apparently has also learned some lessons from the past.

For the 10¢ package is not Blum's first try at the mass market. Levy took a crack at it about five years ago. He had come to Blum's in 1934 at the age of 21. He had given the business a zip that lifted it from a high-class—and nearly bankrupt—local candy store to a national position.

Levy felt that the way to get into the really big money was to tap the mass market. That time Blum's elected to do it through a cheaper line—the Candy Artists division. Candy Artists products were sold in drugstores and department stores under different labels; they were many cuts below Blum's line in quality. The venture flopped.

This time Levy took a new tack. Blum's 10¢ and 25¢ packages would be truly Blum's candy—in name, quality, and freshness. From its considerable repertoire, the management picked four items, candies Blum's had made for years and that could be mass-produced easily. The paper wrappings would carry a design similar to the



Any office can have a Postage Meter

• In fact, anybody who mails letters, no matter how few or how seldom, can use the DM. It's a desk model postage meter, little larger than your telephone.

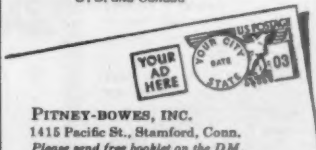
• But it prints postage like any big meter . . . the right stamp for any kind of mail, right on the envelope. With a dated postmark, and your own small advertisement if you like . . . Even handles parcel post. And has a moistener for sealing envelope flaps.

• Can be set for as much postage as you want to buy . . . protects postage from loss, damage, theft . . . accounts for postage automatically. It's a great convenience. Anybody can learn to use it in a few minutes.

• Ask the nearest PB office to show you the postage meter you need . . . or send the coupon.

PITNEY-BOWES
Postage Meter

Offices in 93 cities in the U. S. and Canada



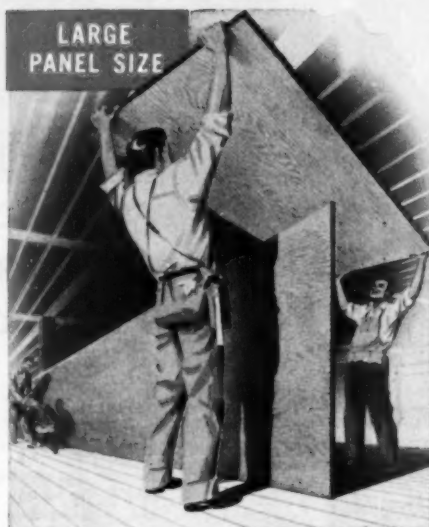
PITNEY-BOWES, INC.
1415 Pacific St., Stamford, Conn.
Please send free booklet on the DM.

Name _____

Firm _____

Address _____

Only plywood gives you all 6



HERE's a material that lets you reckon building progress in *square yards* instead of cramped inches. Plywood's work-speeding size means jobs which once took days are now being done in hours.

Most plywood comes in big 4x8-foot sheets, and there are many other standard sizes both smaller and larger . . . even panels up to 50-foot long. Plywood is light, strong and amazingly tough. No wonder more and more alert designers, engineers and builders are every day turning to this modern material to update building and manufacturing methods. How about you?

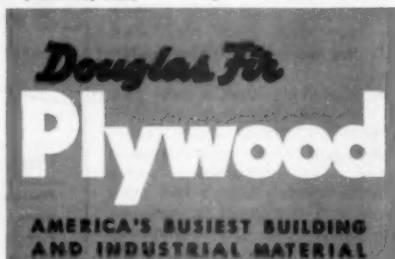
For technical assistance on special problems write Douglas Fir Plywood Association, Dept. 413, Tacoma 2, Wash.



Douglas fir plywood is real wood, made by "unwinding" giant logs

into thin wood sheets which are inseparably cross-laminated . . .

to form large, light panels having beauty and great strength



1 Large Panel Size



2 Cross Laminated Strength



3 Attractive Appearance



4 Workability



5 Tested Quality



6 Light Weight

design that's on their high-priced tins.

The company moved cautiously at first. It put the small packages in cities that it thought would be hard to crack. If they went over there, Blum's figured, they would go anywhere. If they didn't, Blum's would forget the whole thing. It tried out a variety of outlets—movie houses, cigar stores—worked it up gradually to 3,500 retailers. But it feels it has only scratched the surface, maybe 5% of its potential market. Variety, drug, and grocery stores have not yet been tapped. Many well-established companies have their products on 100,000 retail counters, Blum's says. And that's Blum's goal.

• **Sweet Prospects**—There are obvious advantages to be gained. With a foot in two markets, the company's on a more solid base. And the lowly candy bar is a big factor in the business; it accounts for about 50% of total candy sales, trade estimates say. Another advantage is that sales of the fancy packages are highly seasonal; the candy bar is good for a sale any day.

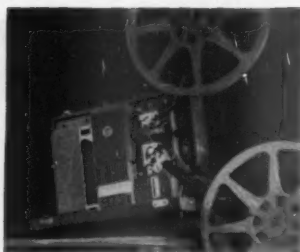
Blum's sales in 1951 were at their peak—\$4.2-million. With plant facilities already on hand for producing three times that amount, the company figures it will do \$4-million in the mass lines alone in 1952. If all goes well, it expects to acquire plants in new areas—with an eye to getting nearer some of the big market centers.



News That Flies

Travelers on Colonial Airlines can keep up with the headlines as they fly, thanks to Air Post. This new, 12-page paper is distributed free every day to some 10,000 Colonial passengers. It's published by Air Newspapers, Inc., which does a similar job for Eastern Air Lines. International News Service provides the news; some advertising helps foot the bill.

*Behind
this cover*
are hundreds
of training films
to help you do
a better job



**Show Your Film with the 16mm.
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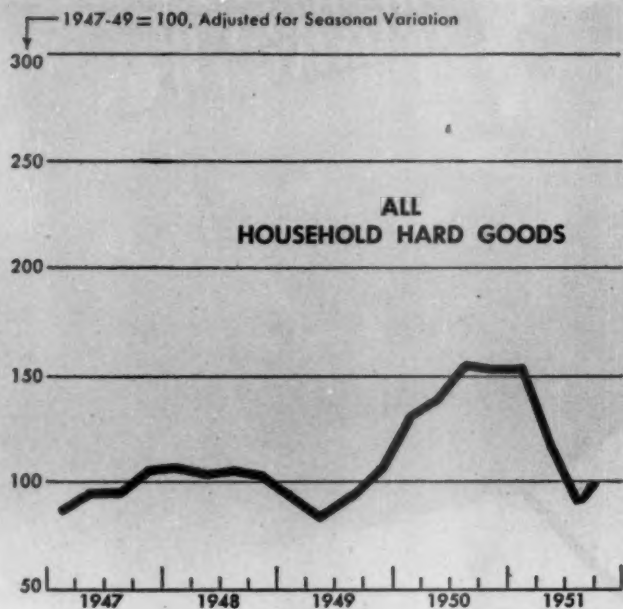
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Kodak

ECONOMICS



Here's a new look
at what's happening
to production of

HARD GOODS for HOME USE

The Federal Reserve
Board is now pub-
lishing monthly
totals, as well as
a breakdown...

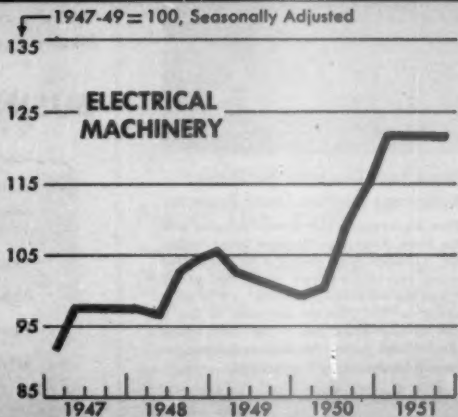
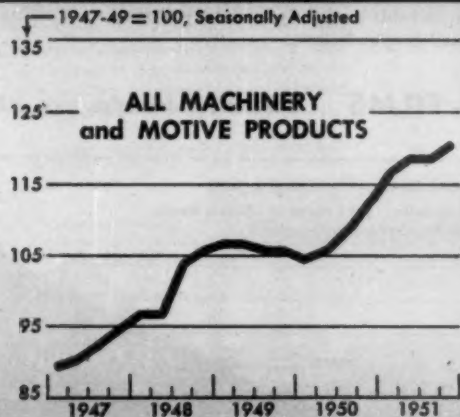
... LINE BY LINE

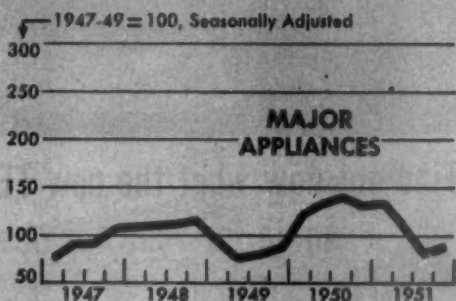
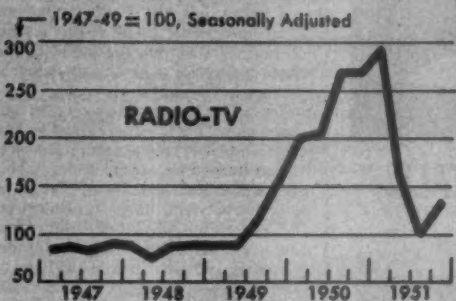
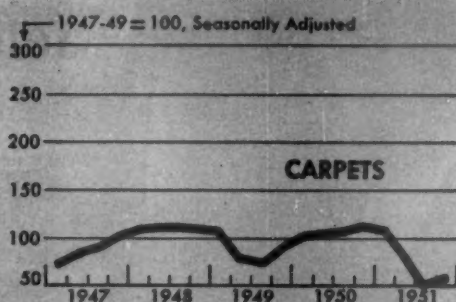
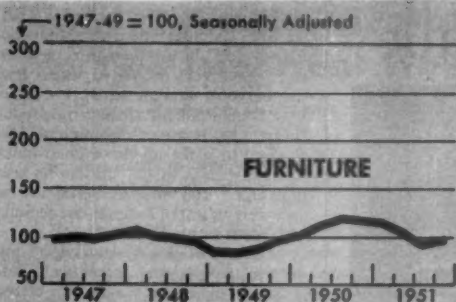
Updated Indexes Show What's Where in Durables

These charts show how two brand-new statistical tools will help businessmen gauge fast-moving production and price trends in hard goods. They cover:

- A new Federal Reserve Board index—with its subindexes—on production of major household appliances. It covers refrigerators, driers, freezers,

There's a new **WHOLESALE PRICE SERIES**, too,





vacuum cleaners, and washing machines, as well as carpets, furniture, radio and TV. The index is weighted to reflect the importance of these products, and it's seasonally adjusted—something completely new.

• BLS' new index of machinery prices—and the subindexes on specific

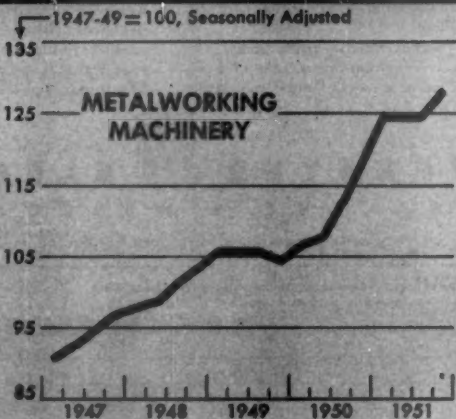
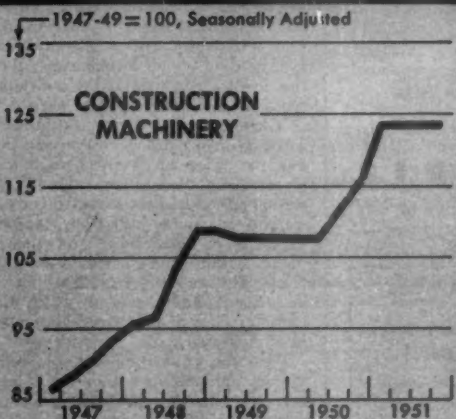
lines of machinery. It's part of the revised wholesale price index announced last week (BW-Mar. 1 '52, p24). Never before available, these indexes should be a big help to engineers, contractors, and estimators planning construction jobs.

Both indexes have been plotted back

to 1947. And, as the charts show, they reflect wide swings during those years.

The production index covers 12 types of household durables (FRB is also putting together a consumer durables index that covers these products plus automobiles). It does not include smaller appliances, such as hand-type vacuum

from the Bureau of Labor Statistics





Find out now what the new TELETALK can do for your business

Whatever the size or type of your business, industrial or professional organization, you know that its successful operation demands careful conservation of time and human energy, the elimination of needless running around between offices and departments.

Right here is where Teletalk intercommunication enters your picture!

With Teletalk at your elbow, you can flip a key and hold two-way conversation with any other key individual. No one has to leave his desk to give or get needed information or data. Good-by, corridor conference! Farewell, traipsing around the building to see the man who isn't there!

Saves much—costs little

If you've been thinking of Teletalk as an unneeded or a costly luxury, now is the

time to realize this important fact: Teletalk is an *essential working tool* which effects such great savings in time and steps that it more than pays its modest cost quickly—often within its first year. Costs as little as five cents per day per outlet!

Insist on Teletalk

Teletalk has been newly improved, in construction and in styling, to give it an even wider margin of leadership and preference in its field. Its lifelike tone is unmatched. It is easily installed; maintenance is negligible.

Best of all, it bears the proud name of Webster Electric, for 42 years maker of electrical, electronic and mechanical products of highest quality . . . Consult your dealer; if you don't know his name, fill out and mail the coupon today.

WEBSTER ELECTRIC
RACINE ♦ WISCONSIN

"Where Quality is a Responsibility and Fair Dealing an Obligation"

Webster Electric Company, Racine, Wisconsin Dept. BW3

Please send me information on items checked.

☐ TELETALK ☐ Hydraulic Pumps ☐ FEATHERIDE Pick-up Cartridges
☐ Nearest TELETALK dealer ☐ EKOTAPE Recorders ☐ W-E Fuel-units and Transformers for all burners

Name _____

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State _____

cleaners or toasters. Nor does it cover pleasure boats, sewing machines, or pianos, where the board's experts had difficulty in rounding up production figures.

In putting together the series, FRB's statisticians used monthly production figures for all products except furniture. Here, they estimated output from figures on manhours worked each month adjusted for changes in productivity. To combine figures on each product to make up the over-all index, the statisticians weighted them by manufacturers' sales in 1947. And the figures were adjusted to level out seasonal variations in production.

In short, FRB has rounded up production reports that either were scattered or simply not available before, put them together on the same base, and taken out the helter-skelter seasonal movements. The result: a series of indexes that give business its first clear picture of what's happening in this section of industry.

The index shows wide swings up and down since 1947. The radio-TV line, especially, has seen staggering swings. It has turned up again and is about one-third higher than the 1947-49 average. Carpets and major appliances are still below the 100% line, while furniture is just at par. So the over-all index is back to 100 after its mid-1951 dip.

• **Machinery Breakdown**—BLS' new machinery index fills a gap that has plagued the machinery and construction industries for years. BLS' previous yardstick was an index of prices on "metals and metal products." This included only a comparatively few machinery items. And it was heavily weighted with prices of raw metals.

As published now, the over-all index includes "motive products"—autos and trucks. (BLS expects to publish an index limited to machinery shortly.) As it is, however, the new index, along with existing construction cost indexes, will give engineers a reasonably accurate basis for estimating costs on construction and equipment-installation jobs. If they want to be more precise, they can use the subindexes on individual types of machinery (charts, page 42).

The charts show there's considerable variation in machinery cost trends. For example, prices of electrical machinery sagged more than others in 1949 and early 1950. Recently, prices of metal-working machinery have been climbing faster than other types—and they're higher currently. One reason for this jump: This category includes a lot of new custom-built items on which the Office of Price Stabilization has granted price increases.

Both the production and the price indexes are published monthly. However, for charting purposes, BUSINESS WEEK used quarterly figures.

Century

Serves the Electric Motor User in Two Important Ways:

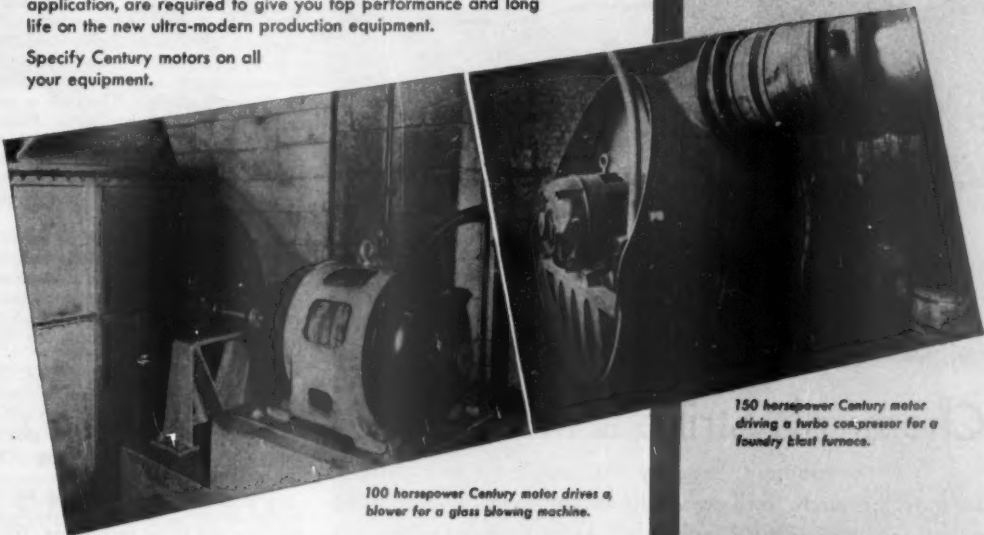
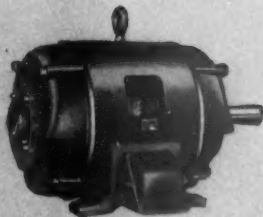
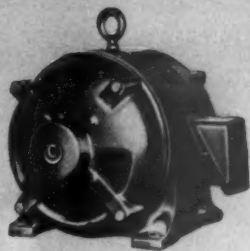
1. Century motors are designed and constructed for a long, dependable operating life.
2. Just as important—they are skillfully selected to match the operating characteristics of the many kinds of equipment they drive.

IN CENTURY'S wide range of types and sizes (up to 400 H.P.) there are available: 4 standard classes of starting torque characteristics—6 methods of speed control—constant and short time ratings—4 basic classes of frame protection against atmospheric hazards—a dozen methods of mounting the motor to the equipment—plus many special specifications to meet the requirements of the BIG NAME equipment manufacturers who use Century motors as a component part of their equipment.

Teamwork with equipment producers gives you skillfully selected motors from Century's wide range of types and sizes... properly applied to match the performance characteristics of the machines they drive.

Both a properly designed and constructed motor, plus skillful application, are required to give you top performance and long life on the new ultra-modern production equipment.

Specify Century motors on all your equipment.



100 horsepower Century motor drives a blower for a glass blowing machine.

150 horsepower Century motor driving a turbo compressor for a foundry blast furnace.

Century SERVICE Is Near Any CENTURY Motor Driven Equipment

Prompt Service is offered by CENTURY'S National Network of more than 200 Authorized Service Stations, supervised by 28 Century Sales offices.

1. Facilities for immediate exchange of most CENTURY standard ratings of standard construction are available at CENTURY Authorized Service Stations.
2. CENTURY Authorized Service Stations are qualified and equipped to service and repair any piece of CENTURY apparatus.
3. Genuine CENTURY renewal parts are available at CENTURY Service Stations, CENTURY Parts Distributors and at the factory in St. Louis.

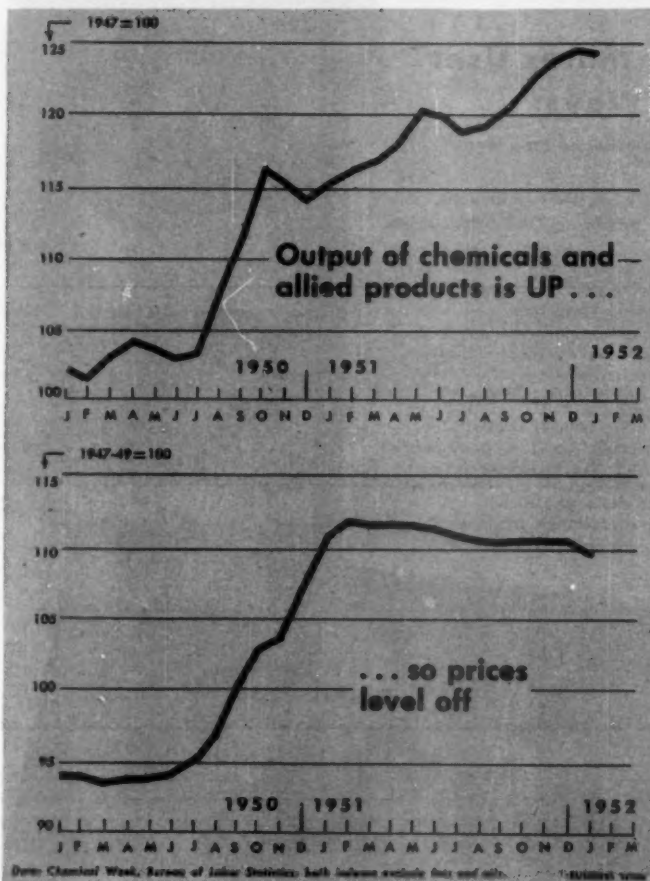
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COMMODITIES



Chemicals Strike a Balance

At the moment, capacity has caught up with demand on most products, and prices have softened. But both demand and production capacity will keep on expanding.

The booming chemical business is finally beginning to catch up with itself. During 1951 demand for most chemical products outran the supply. Today capacity has for the moment come into balance with demand.

The supply improvement is most marked in heavy industrial chemicals. Stocks are building up in practically every chemical in this category, with the big exception of sulfuric acid.

• **Not Overexpanded**—The better balance between supply and demand

doesn't mean that the chemical industry is going off the deep end with its current expansion program. It's the result of (1) continuing expansion at a fast pace while (2) effects of the consumer slump were finally being felt back at the raw materials level. Long-range, the industry is still labeled for lots of growth.

There's enough new plant coming "on stream" this year to take care of all foreseeable demand, both military and civilian. Yet a sudden upsurge in

business still could call for more of certain chemicals than the industry could supply at that moment; spot shortages of this sort will be ironed out as expansion continues.

By the end of the year just about every chemical should be in ample supply—always excepting sulfur and sulfuric acid. Military output will absorb huge quantities of industrial chemicals, but the stretchout (BW—Feb. 16 '52, p21) will keep this demand from reaching the high peak the original arms program would have built up. Besides, the number of completed chemical plants will be much higher this year than even last year's record total.

• **Cause and Effect**—It takes quite a time for the chemical industry to feel the results of a slowup in sales at the retail level. For example, all of 1951 was hard going for the textile business, yet the chemical people didn't begin to feel it till near year-end.

Much of the isopropyl alcohol in this country goes into acetone, which goes into acetic acid and anhydride, which in turn goes into acetates, which eventually go into synthetic fibers. So—working backward—the big dip in textile output last year lessened demand for isopropyl alcohol. However, a new factor came into play: Some former users of ethyl alcohol switched to isopropyl alcohol because ethyl was priced so high. All this, plus a big export business, kept any great surplus from developing at year-end.

• **Substitutions**—This kind of substitution within the chemical industry makes it tough to read the palm of any given commodity. Just as one chemical seems to be headed for a long-lived shortage, manufacturers who buy that chemical shift to a substitute.

Take the case of ethyl alcohol. It's used a lot in butadiene for synthetic rubber. Fermentation ethyl was selling on the eve of Korea for 37¢ a gal.; by November, 1950, it was bringing 90¢ a gal., and supplies were tight.

Then users started shifting to isopropyl alcohol. Ethyl stocks built up; the price slid to the present 75¢. When new plants start synthesizing alcohol from ethylene in great quantities, the price is very likely to fall to around 55¢ a gal., the present price of synthetic alcohol.

• **Loosening Up**—The general tightness of chemical supplies during 1951 shows up in the wholesale price index of the Bureau of Labor statistics. From last spring's high, the over-all index has dipped almost 5%, but the index for chemical and allied products (excluding fats and oils) remained practically stationary all year. Only since mid-Janu-



Picture shows typical operation of Dodge "Job-Rated" trucks owned by Walt Flanagan & Co., Denver, Colo.

"I save my toughest jobs for Dodge"

... says MELVIN W. FLANAGAN, Manager, Walt Flanagan & Co., Denver, Colo.

"Lots of our toughest jobs are in tight places. And I've got to save my Dodge 'Job-Rated' trucks for these jobs, because we just can't get in with my other trucks. But Dodge's short turning diameters make it easy to get in.

"Our men like Dodge trucks, too, because they're such swell trucks to drive. In fact, I've always got four or five drivers on my neck to drive a Dodge. That roomy Dodge cab is mighty popular."

What Mr. Flanagan says is typical of enthusiastic comments by owners of Dodge "Job-Rated" trucks. Remember, there's one to fit your job! See your Dodge dealer.



"My other trucks include a Dodge 'Job-Rated' pick-up. For my money, it's the most useful low-tonnage truck on the market. It's always on the job, never lets us down. Costs mighty little to run, too."



"We're so strong for Dodge 'Job-Rated' trucks because they're built to fit our jobs—with just the right units all the way through. We get the right engine and other units to move our loads. We get the right units to carry our loads."

DODGE "Job-Rated" TRUCKS

Reports! Invoices! Letters! Orders! Drawings!

COPY THEM AT NEW LOW COST

with the Desk-Top OZAMATIC

The compact new
OZAMATIC machine
makes direct copies
of anything typed,
written, printed or
drawn on ordinary
translucent materials!



You'll find time-saving uses in every department for the high-quality, low-cost Ozalid process entirely self-contained in the streamlined OZAMATIC desk-top machine!

You can make copies up to 16 inches wide, any length, at speeds up to 30 feet per minute. Your first copy is ready in seconds, or you can have up to 1000 letter-size copies an hour at less than 1½¢ per copy.

Larger Ozalid machines are available for wider originals and even greater production capacity. And anyone can learn to operate any Ozalid machine in five minutes.

Send the coupon today for full details on the OZAMATIC—or call the Ozalid distributor listed in the classified section of your local telephone book.

Savings are Simple with the OZAMATIC!

1 Just Feed in the Originals
No Retyping.
No Stencils
... No Plates,
No Negatives
... No Make-Ready ... No Darkroom ... No Messy Inks!



2 Clean, Dry Copies Instantly
No Proof-reading ...
No Poor Carbons ... No Smudge or Distortion ... No Waiting!



ATTENTION: EXECUTIVES!

In order handling Ozalid can speed your work and save you money. Here's how Ozalid does this for others.

A Wholesale Hardware Firm* has one girl process 1,000 bills a day—nine times as many as ever before.

A Radio Station* has one clerk prepare bills in three hours. Formerly, two clerks needed 28 hours.

A Dairy* has one girl prepare customer invoices in two days. Before installing Ozalid, this same operation required twelve girls for two days.

A Department Store* pays bills same day merchandise is received—cashes in on special "anticipation" discounts.

A Drug Chain* keeps accurate, up-to-the-minute check on inventories.

A Manufacturer* uses Ozalid to save \$8,000 a year in procuring supplies.

*Names and details on request.

OZALID, Dept. A-25
General Aniline & Film Corp.
Johnson City, N. Y.

Gentlemen: Please send me complete information about your OZAMATIC machine.

Name.....

Company.....

Position.....

City.....

State.....

Cut Copying Costs ... Use

OZALID

Johnson City, N. Y. A Division of General Aniline & Film Corporation. "From Research to Reality."
Ozalid in Canada—Hughes Owens Co., Ltd., Montreal.

"... shortages are vanishing a year early ..."

CHEMICALS starts on p. 46

ary (chart, page 46) has the chemical price trend headed downward in response to the big increase in production capacity.

Now, however, shortages are vanishing even in those chemicals that hadn't been scheduled to loosen up till 1953 or even later.

• **Chlorine**—For example, chlorine was supposed to stay tight for years. No one expected output to keep up with the increasing demand from makers of such diverse products as paper, anti-freeze, solvents, and pesticides. But already the market is starting to ease.

Production in 1950 was 2-million tons. In 1951 it ran about 25% higher; in another year from now, it's scheduled to go up another 40%.

The expansion in chlorine points up a major problem in the chemical business: When you increase production of a desired product, you often get too much of an unwanted byproduct.

In chlorine's case, the surplus byproduct is caustic soda. No one knows what to do with it all. Worse yet, caustic soda is losing its old markets; detergents have cut deeply into caustic's market in the soap industry.

• **Sulfuric Acid**—The chemical least likely to show a surplus this year is undoubtedly sulfuric acid. In fact, the estimated gap between what's needed and what will be produced is even larger than last year's deficit.

Any increase in sulfuric acid, which is used in practically everything, must wait on development of more sources of sulfur: four new salt domes, plus a small amount of alternate sources such as sour gas and pyrites. Deposits of Frasch-minable brimstone have been by far the cheapest source of sulfur, but they're heading for depletion so fast that the new domes coming in over the next three years will, to some extent, only make up production lost from worn-out deposits.

• **Other Prospects**—Sulfur is the most publicized shortage, but not the only one. Items still hard to get are copper sulfate, used in fungicides, and phthalic anhydride, widely used in paints. But the majority of chemicals are moving off the hard-to-get list.

An early end is foreseen for the shortage of benzene, heavily used by the plastics and rubber industries for phenol and styrene. In 1951 about 180-million gal. came from coke ovens as a byproduct, 55-million gal. were imported, and the petroleum industry provided another 25-million gal. By the end of 1952 petroleum refineries alone will be able to turn out 100-million gal. a year.



Champion boxer OF THEM ALL

What could a trial order for 500 steak knife boxes mean to a company who has boxed more than a million of the world's famous products?

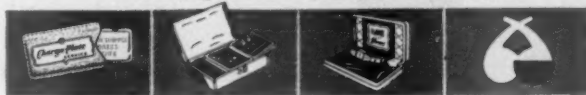
To Farrington of Boston it meant 500 chances to prove that they know the packaging business—and prove it they did! That trial order was placed by Chas. D. Briddell, Inc., of Crisfield, Maryland, one of America's oldest and finest cutlery manufacturers. Today, Farrington designs thousands of covered metal boxes with sales appeal for Briddell's famous products.

And this is but one of the nation's many important industries served by Farrington of Boston. For whether it's designing outstanding display boxes for world-famous products; providing the easiest way to say "Charge it, please" for a nation of shoppers with Charge-Plate® Service; creating Texol® plastic coverings or fashioning fabulous jewel cases for the country's gift-buyers—Farrington, for almost half a century, has served

America's people and America's industries with distinction.

Farrington

MANUFACTURING COMPANY
76 Atherton Street, Boston 30, Massachusetts
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IDENTIFICATION PLATE SYSTEMS • JEWEL CASES AND GIFTS
DISPLAY PACKAGING • TEXOL PLASTIC FABRICS



ORCHIDS go begging as a six-year boom suddenly collapses and the market is flooded. But with a big promotional campaign . . .

Hawaiian Flowers Plan Second Bloom



AIRLINES have helped the industry out—and added to their own freight volume—by making special Hawaii-U. S. rates: 30¢ a pound for orchids, 20¢ for other flowers.

Back in 1945 a few enterprising businessmen airmailed some Hawaiian orchids to the U. S. to see how the mainland market would like them. The market swallowed them whole. After that the flower business grew so fast that by 1950 it was Hawaii's fourth-largest industry. Then, as suddenly as it had started, it seemed to burn out. Today it's practically stone cold.

• **Not So Rosy**—The tiny Vanda orchids, most popular of the Hawaiian flowers, sold at three for a dollar in the U. S. when the boom was at its peak. Now they bring as little as two cents apiece made up into leis. Whole loads of unwanted blossoms are being dumped into the sea. Flowers of Hawaii, Ltd., biggest of the 100-odd companies in the business, last month cut the number of growers who supply it from 700 to 250.

"The last eight months," one of the industry's pioneers concluded, "have been damn sorry for this business."

• **What Happened?**—The main reason for this disastrous flop was one simple fact: Promotion didn't keep pace with production.

The story began right after World

War II, when the development of aviation brought daily 24-hour trips between Honolulu and the U.S. An orchid is a delicate piece of merchandise; it has to be shipped and handled quickly, or it won't last. The daily air trips made it practical, for the first time, to ship the flowers out of Hawaii.

When they hit the U.S., they found a ready market. Hawaiian leis and corsages began to show up all over the country. By 1950 island flowers were accounting for about \$6-million of the estimated \$625-million-a-year mainland flower business. The University of Hawaii figured that a "reasonable goal" for the young industry would be a steady \$30-million in U.S. trade.

• **Letdown**—With things looking that bright, everyone in Hawaii who owned a plot of land began planting orchids on it. Production shot up. And that was when the trouble started.

The U.S. market had seemed so big that nobody had ever bothered to enlarge it. The industry, during its whole career, had done hardly any promotion. Finally, production caught up with the stationary market and overflowed it.

One executive described the situation this way: "Our market in 1945 was like a big empty sack. We just kept pouring flowers into it, never thinking that one day we'd fill it up. What we should have done was to enlarge it by advertising. But we were too excited to stop and think. Now we've got orchids coming out of our ears and we can't sell them."

There are other, minor reasons for the trouble, too. Among them is the fact that shippers and florists haven't been educated in how to handle and sell the Hawaiian flowers. Some of them die in shipment; others rot on the florist's shelf because he doesn't have the display and sales techniques to get rid of them.

• **Clinic**—A powwow was held last year among dealers, growers, airline representatives, and other men in the business to decide what could be done to get Hawaiian flowers back on their feet. Most important decision was for a full-scale promotional and educational campaign. This year, in keeping with that philosophy, Flowers of Hawaii plans to start the industry's first national advertising in U.S. magazines.

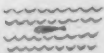




Crossley Associates, second-biggest shipper, plans five retail stores in the Los Angeles area. It also hopes to set up a 10-acre flower garden near Honolulu's airport, to lure tourists and their cameras. Once the public gets to know what a Hawaiian flower looks like, the industry thinks all its troubles will be over.





"In five years," one spokesman predicted, "we'll have a volume five times as big as we have now."



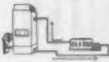





HOW TO CONSERVE WATER


In industrial processing, cooling and related applications

When you use water  to cool engines,  compressors,  air conditioners,  etc., don't waste it  by pouring it into a sewer.

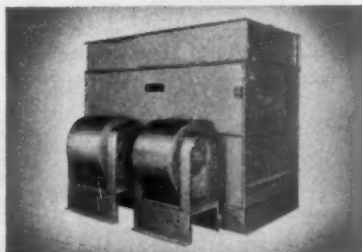
Instead, pump it  through a BINKS COOLING TOWER*  where its heat  will be released to moving air  by spraying.

With this simple and economical  process you circulate the same cooling  water over and over again.  You substitute a small

pumping cost  for a big water bill  and you will also be helping your country conserve a vital natural resource. 

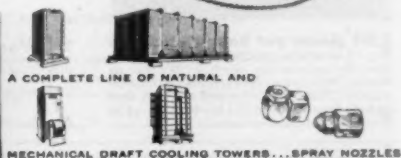
*Here's the  of the system:

Binks job-tested towers assure you proper cooling under local conditions. They are the product of more than 30 years experience in the design and manufacture of water cooling systems. You have a full line of both natural and mechanical draft towers from which to choose. Whatever your water cooling job, Binks has a correct tower for it.

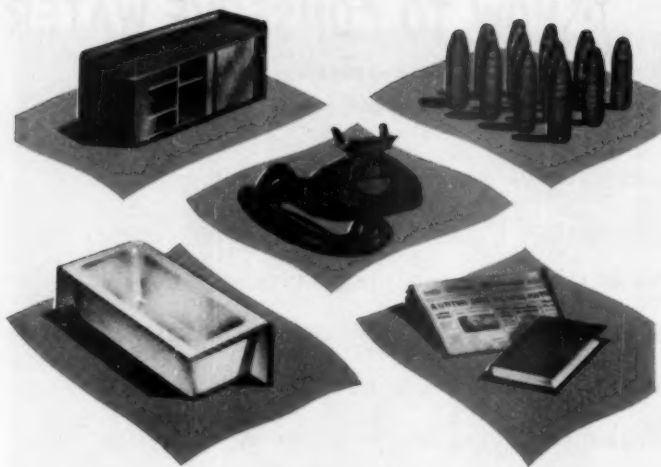


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Here's a handy guide to the correct selection of cooling towers for water conservation and cost reduction. If your establishment uses water for cooling purposes, it'll pay you to have this informative, illustrated bulletin. Just ask for Bulletin LI:100. No obligation, of course. Address Binks Manufacturing Company 3130-34 West Carroll Avenue, Chicago 12, Illinois



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PRODUCTION IMPROVEMENTS UNLIMITED

LAKE ERIE HYDRAULIC PRESSES are accomplishing some truly remarkable production improvements in plants already noted for their high efficiency in manufacture. From case histories...such as drawing steel to depths at one time thought impossible; cutting costs through eliminating assembly operations; conserving raw materials by reducing rejects; and in many other ways—factual evidence proves the claim of Lake Erie engineers, that our hydraulic presses offer almost unlimited possibilities in helping industry to do a better job in working with metals, plastics, wood and rubber. Whether or not hydraulic presses are now used in the manufacture of your products, this might be a good time to ask yourself...and Lake Erie Engineering...this question: "What can hydraulic press equipment do for my plant?"



1,260 pieces per hour—per press—of deep drawn stainless steel from the fastest double action hydraulic presses ever built. We built six of these 300 ton super-speed presses for this manufacturer. Production has soared and costs were slashed. Press dependability has been proved by day-in, day-out shift operation.

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Rice Revival

South Carolina's long-idle rice fields are being reactivated by a group of Texas planters.

Rice used to be a booming industry in South Carolina, but after the Civil War it went into a decline and finally died to a whisper. Now the industry is being revived. A group of Texans is planting the state's first important crop in almost half a century.

• **Long Sickness**—The end of Carolina's old-time rice prosperity came with the abolishment of slavery. Without slaves, the state had no way of getting the cheap labor necessary to turn out a rice crop. It couldn't shift to machine culture because machines of the time bogged down in the soft, mucky Carolina soil. As a result, the bulk of the nation's rice growing moved to the fatter lands of Texas, Louisiana, and Arkansas. Incidentally, that rice is still labeled "Carolina rice" today.

Rice was planted on a declining scale in Carolina until 1911, when a hurricane wiped out what was left of the rice men's drainage and irrigation systems. After that, Carolina just about gave up.

• **Revival**—Texas rice fields, in turn, have been running into trouble during the past few years. Though 1951 produced a bumper crop, other years have been plagued by deficient rainfall. Salt from the sea is creeping into freshwater rivers and bayous. This bodes ill for the rice.

With an eye on this situation, agricultural agents of Seaboard Air Line R.R. Co. (Florida, Georgia, the Carolinas) took some Southwest planters for a ride. The railway crosses miles of idle rice land—land with plenty of water and plenty of rich delta soil that can be planted year after year with minimum fertilization. On Texas land, by contrast, crops have to be rotated; and in some cases a given piece of land can be planted only once every three years.

Furthermore, technological developments have now made it possible to work the Carolina land with machines. Modern air tires provide a wide bearing surface, and weight per horsepower is a fraction of what it was when the first machines were built.

• **First Crop**—First of the Southwest-ers to get into action was a Beaumont (Tex.) group backed by Dallas money. Out of that came South Carolina Rice Growers Assn. This year SCRGA is planting 5,000 acres near Charleston. It hopes eventually to have 30,000 acres under cultivation.

WANT TO TRIM 10 PLANT COSTS ?

Here's how you can short-cut
—or eliminate—ten costly
manufacturing operations

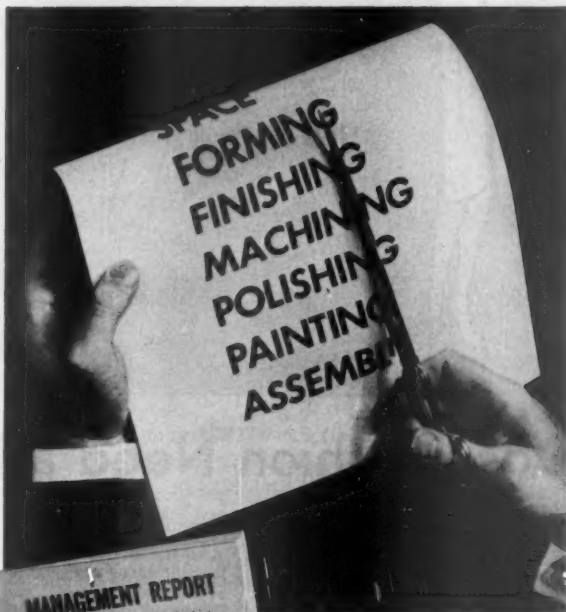
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A full discussion of these production advantages is given in the Monsanto report "Trimming 10 Plant Costs." Use the handy coupon to send for a copy.

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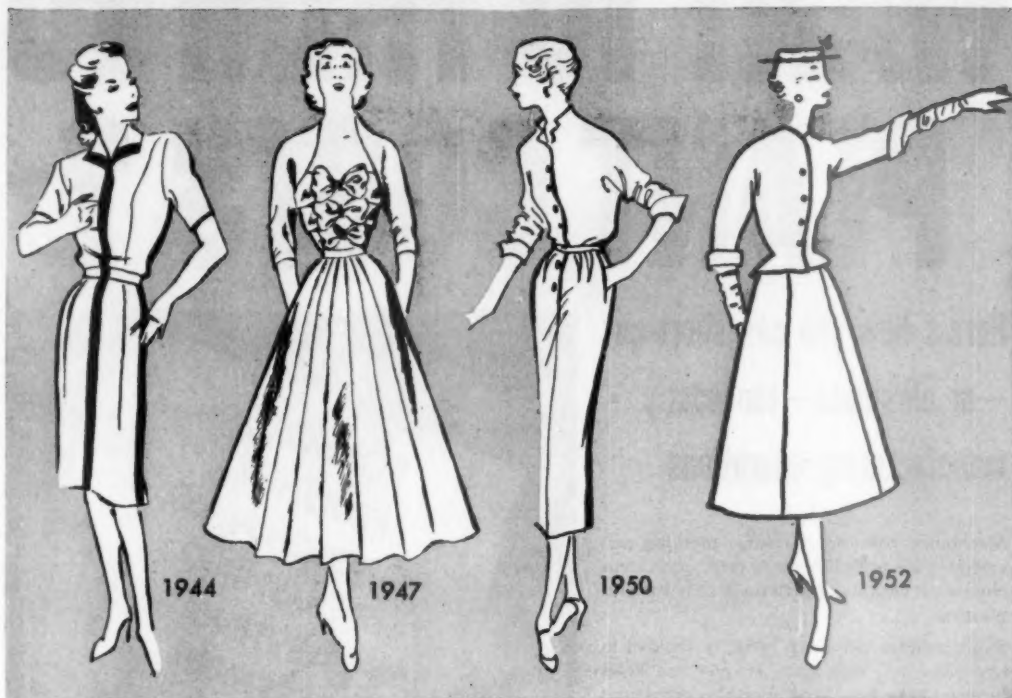
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FASHIONS



Sketches Courtesy of Fairchild Publications, Inc.

Does Fashion Need a New New Look?

Beneath his Florida suntan, the New York garment manufacturer this winter is an unhappy man. His despair shows up in his answer to the simple question, "How's business?"

"Don't ask," is his reply.

Translated roughly, this means business on Seventh Avenue is (1) not bad enough to cause a man to set fire to his shop; (2) not good enough for him to set up his son-in-law in a new \$40,000 house.

With a well-tuned ear, you can get a more precise measure. Trade talk definitely indicates a thicker-than-normal gloom over Manhattan's cluttered garment district. There is much grouching about "women not buying clothes the way they should." Fashions are dull, people say; the Paris showings last month offered nothing even faintly exciting. "What this business needs," many will tell you, "is a new New Look."

• **Does It?**—On a bare-bones statistical basis, though, it doesn't appear to. Whatever troubles the fashion busi-

ness has don't seem to stem from fashion.

Last year U.S. matrons and misses thought enough of style to spend some \$3.8-billion on apparel and accessories. Compared with past performance, it was the second best year on record—only 2.9% below the 1948 peak and a gain of 6.7% over 1950. True, spending for women's clothes was down as a percentage of disposable income. But so was all spending; for some reason, people chose to save at an abnormally high rate.

Even allowing for price increases, which puffed up dollar totals, 1951 was not a bad year at all. Unit volume ran close to, or perhaps even matched, the year before. And the trade considered 1950 "a fairly good year."

So far in 1952, store sales are running about even with a year ago. Stocks are down 3% (BW—Mar. 1 '52, p9).

• **Diagnosis**—Then why all the clamor for a new New Look? There are at least two reasons to explain it:

(1) Business in the fashion industry

is seldom good enough to please everybody. And admittedly, a lot of manufacturers right now have troubles.

(2) Fashion is a ready scapegoat.

"What it all amounts to—honestly," said one store merchandise manager last week, "is a batch of wishful thinking blended with a little hysterics. Sure, a radical change in fashion would have an effect on the market. But you're not going to get it, and I'm not sure you even need it."

• **Support**—There's a sizable body of thinking in and around the industry to back up both these points. Fashion, so this thinking goes, moves like the geological ages. Unless there's some catastrophic world event, you can't expect a radical change overnight.

The normal process is a gradual transformation—the hemline, say, moving up or down a little year by year. If designers want to sell, they can't drop skirts all at once from the knee to the ankle. They can't, that is, unless some abnormal event—like a war, and the aridity of design that goes with it—has

made women sick of the clothes in their closets.

• **Stimulation**—On the second point—is a New Look needed—there is also a healthy dissent, even forgetting the dollars-and-cents angle. Many fashion experts insist that clothes today offer as much to please feminine tastes as anyone could hope for.

Those who are satisfied with fashion as it is say there is more-than-adequate stimulation in new designs and fabrics. They point to the full skirt of last fall, which they consider a "provocative" change. Fabrics, too—particularly the synthetics—are "exciting." "Ask your wife," they sum up, "is she bored with the things in the stores?"

• **Ailments**—Despite all this, even complacent fashion experts will admit there is trouble in the women's clothing business. Where is it then?

The main soft spot in women's apparel today traces back to the first half of 1951. The malady is simple: Everybody guessed wrong.

After Gen. MacArthur called it "a new war" in Korea, the textile business went on one of the biggest inventory sprees in history. All down the line—from mill to retailer—people built up stocks. They reasoned that, with cut-backs in hard goods, consumers would rush into soft lines to spend their money. They thought they saw the biggest boom ever.

• **Poor Sight**—But it never happened. For one thing, hard goods production held up better than expected. For another, consumers showed no inclination—after the first two months—to be scared into buying anything.

This, then, was the basic trouble. Garment manufacturers, like everyone else, bet on an abnormal amount of buying by the consumer. What they got was simply normal buying, or maybe something a little better. Through the year, they were stuck with heavy inventories so that even with fairly decent sales, profits looked bad.

Most of this inventory load has been whittled down now. The peak was passed sometime around late summer. But it's probably only in the last month or so that manufacturers have begun to feel out from under.

• **Other Ills**—The other ailments of the fashion business are those that have plagued it for years. Most of them result from the hanging-on of some remarkably antiquated operations.

Many merchandise people feel that fashion sales could be a lot better if there were more liaison between management at the manufacturing level and management at the stores. "A lot of men on Seventh Avenue," one mer-



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"... The real puzzler is what makes one fashion catch on, while another flops..."

FASHION starts on p. 54

chandise manager says, "have no concrete idea of what goes on at the retail level, what the customers really want. One man who sells to stores in 30 cities, I know, has been in only three of those cities in his life. There's too much sitting back and waiting for business to come to them."

Beyond this, there is the fact that stores are often too conservative in their buying policies (they fail to lay in adequate stocks of a new line), that there is still no standard system of sizing in the industry, that there is too little experimentation with color changes. And with almost unlimited possibilities for promoting new designs, few stores capitalize on them fully.

• **Who Starts It?**—The question of how a fashion starts is simple to answer. The real puzzler is what makes one catch on, while another flops.

There is no doubt but what fashion today starts in Paris. Even those who defend American designers most vehemently admit that probably none of them has the prestige to make a sweeping change all alone. Americans can give different treatments to a basic theme, but the inspiration has to come from Paris.

Once the Paris couturier—Balmain, Dior, Balenciaga, or another—has achieved his masterpiece, the fashion magazines take over. It is their promoting that makes the design click, if it is going to. But they alone can't put over a fashion. In the end, it all depends on a vague set of sociological and psychological factors that happen to be working on Mrs. Consumer at the moment.

For every new design that catches on, scores of others fizzle—for no explainable reason. Last fall, for instance, there was a strong push to bring back fitted coats. Almost every store along Fifth Avenue showed them in its windows. Within six weeks it would have been hard to find one on display. Women had simply walked away from them.

• **This Year**—Spring and summer showings at Paris last month had very little that was new. Fall may see an attempt to bring back the long-waisted look of the twenties, but there's real doubt it would catch on.

One possible trend that may show up is a heavier emphasis on black. The death of the King and the mourning of Elizabeth may give it the needed psychological push.



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MUNITIONS



MORE POWERFUL JETS than this F-80 Shooting Star are the goal of the Defense Dept.

U.S. Bets Its Defense Shirt

On Jan. 16 of this year, the age of jet power began. On that day the aircraft piston engine was officially headed toward the pasture, and from that day on, the Pentagon's big chips were on the jets.

On Jan. 16 the aircraft and engine makers gathered at the Pentagon to get the bad news about the stretchout of the arms buildup. Until that decision, the plans had called for more production capacity and more development on both jets and piston engines. But President Truman's new ceiling of \$51-billion on military spending meant that the brass had to choose between them. They made the choice the military always makes, and probably should make: Combat planes are favored, non-combat planes cut back hard.

• **Combat**—Translated into engines this means that the piston engine plane programs are hit hardest—transports, trainers, and the like. On the other

hand, the Navy and Air Force both are committed to making every combat plane a jet as soon as possible.

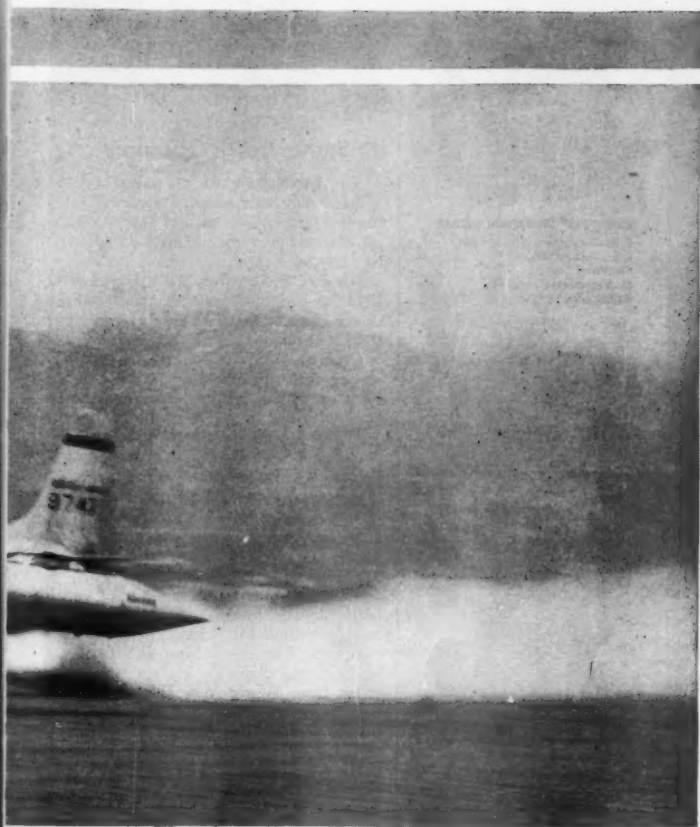
This goal can't be reached overnight. But, as of now, piston engine combat models are being "phased out."

• **What It Meant**—This week, the brass at Wright-Patterson Air Force Base in Dayton, Ohio, spelled out what this means to the aircraft and engine makers, the auto industry, and the metal-working industries generally.

Peak production rates previously planned were knocked down by around one-third for the plane and engine makers, by two-thirds or more for the secondary sources—the auto companies. Here are some of the cutbacks:

Ford Motor Co.'s contract to produce Pratt & Whitney piston engines in Chicago was cut 74%—but it got a new \$30-million contract to build jets in the same plant.

General Motors' Buick Division was



as it seals the eventual doom of piston-engined military planes. From now on, the . . .

on Jet Engine Power

cut back two-thirds on planned production of British Sapphire jets at Flint, Mich.; its Chevrolet Division plans to build piston engines at Tonawanda, N. Y., were reduced 55%.

Packard and Studebaker peak schedules for jet production in Utica, Mich., and South Bend, Ind., were cut 40%.

Nash-Kelvinator contracts for piston engines were cut 32%.

On the other hand, Wright Aeronautical's contract for making the British Sapphire jet engine, was cut only one-third, compared with the two-thirds cut on the Buick schedules for the same engine.

I. The Reasoning

Over-all, output of both planes and engines will increase steadily until mid-1953, then level off and hold through 1955.

The present ratio of two jets for every

piston engine will spread in favor of jets; eventually it will reach three to one, or even higher. Furthermore, there will be no additional capacity committed to piston engine production, and no additional research.

• **End of the Line**—The piston engine won't get any bigger or more powerful than it is today. Here's why that was decided:

• A new jet engine of 10,000-lb. thrust power (1 lb. equals 1 hp. at 375 mph.) is in preproduction stage, backed by big Air Force and Navy orders.

• The experts agree that this 10,000-lb. thrust model is only another step upward on the ladder. They expect 20,000-lb. thrust jets before too long. At least one experimental jet developed by General Electric already has been unofficially rated as high as 15,000-lb. thrust.

• The experts also agree that the two biggest piston engines now flying

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This is made possible by the **MIKRO-COLLECTOR**'s pressed felt filter medium and its Hersey reverse-jet cleaning ring, which assure the very highest possible dust recovery.

10 Reasons

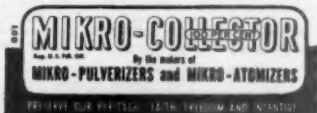
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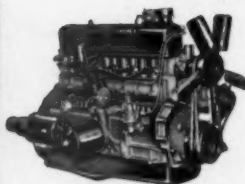
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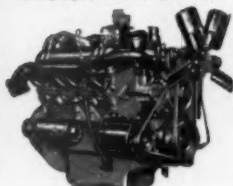
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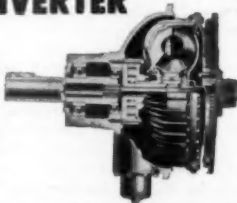
FORD "279" INDUSTRIAL ENGINE

Type—V-8, 90° Overhead Valve.
Bore—3.56 inches.
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Displacement—279 cu. in.
Rating (dyn.)—125 b.h.p. @ 2800 rpm.



FORD "317" INDUSTRIAL ENGINE

Type—V-8, 90° Overhead Valve.
Bore—3.8 inches.
Stroke—3.5 inches.
Displacement—317 cu. in.
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—Pratt & Whitney's 3,800-hp. Wasp Major, and Wright's 3,500-hp. Turbo-Cyclone—are about as big and complex and as powerful as piston engines can go.

II. Some Hard Questions

The hard swing to jets raises a lot of hard questions—about its impact on the aircraft engine makers, about our jet engines as compared with the British and Russian models.

Some of the answers are wrapped up tight in military security, and some aren't. Here's the way experts size up the situation:

• **Quality**—U.S. jet engines now in service rate about equal to those the Reds are flying in their MIGs. Both planes have engines developing about 6,000-lb. thrust. The MIG is designed sharply for only one type of mission—short-range interceptor work—and in that type of flying it beats the Sabrejet.

• **Who's Ahead?**—There's a lot of argument about who's ahead on jet research and production—the Russians, the British, or us.

Most arguments seem to wind up with the conclusion that the U.S. is one lap behind the Russians on production, and one lap behind the British on research. Britain's lead in research stems from World War II agreements that made the U.S. the producer of planes and let the British spend relatively more of their time and talents on research and development. Russia's edge on production stems from the fact that after World War II she maintained the kind of stable production of all arms that we are just now trying to achieve.

On both research and production, however, the U.S.—if it is really behind—is coming up fast. We are already benefiting from British jet research, and we would completely pool our knowhow once again if war came.

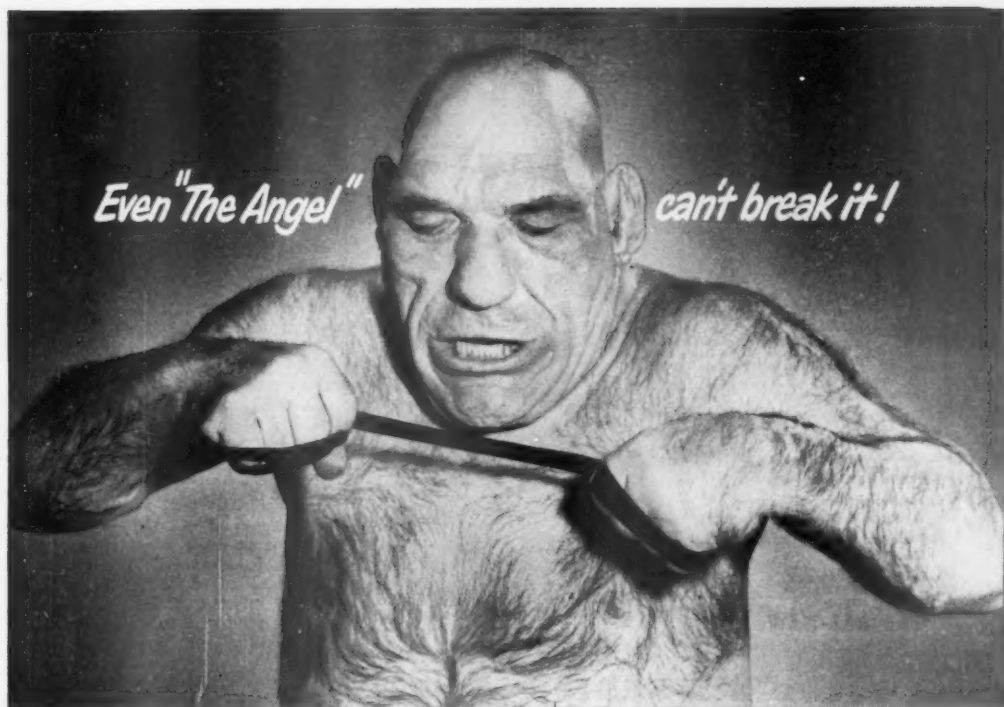
• **Guessing Game**—The swing to jets has a terrific impact on the fast-growing and fast-changing airplane industry. Production figures are military secrets, but some experts fit together pieces to find this general picture:

• We're producing about 600 military planes per month.

• The ratio of engine output to planes runs about five to one; that means about 3,000 engines per month.

• The ratio of jets to piston engines run about two to one now; which means jet output is around 2,000 per month.

The new plateau for the air buildup is put at about 1,500-1,800 planes per month. A ratio of five engines per plane means that output may be around 9,000 engines per month. But the ratio of jets to pistons will be higher, probably three to one. That means jet



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- **SAFE**—no sharp edges to injure workmen.
- **ECONOMICAL**—short strips handle big jobs.



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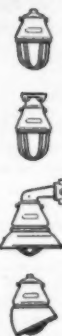
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Field Engineers in All Principal Markets

"... Already, there's a Big Four in jet production ..."

JET ENGINES starts on p. 58

output could be around 7,200 per month.

• **Who Benefits**—The cost of jets vs. piston engines gives you another slant. The biggest piston engines now run about \$15,000 each. Jets cost about twice that much. Bigger production means cost cutting, of course, but the jet engine business will continue to be much bigger than pistons.

Companywise, there are big changes. The piston engine industry was virtually a two-company industry: Pratt & Whitney Division of United Aircraft Corp., in East Hartford, Conn.; and Curtiss-Wright Corp., Wood-Ridge, N. J.

The Air Force isn't going to let itself be caught this way again. Already, there's a "Big Four" in jet production, and some other companies may be brought up to a rough equality with today's front-runners. The leaders today are: Pratt & Whitney—the front-runner in jets as it is in pistons; Allison Division of General Motors; General Electric; and Westinghouse Electric.

Curtiss-Wright is coming up with its production of the British Sapphire jet engine, and another British jet supposed to be in the 10,000-lb. thrust class. Other divisions of the auto industry will be kept in production on jets in order to have a broad base ready for an emergency. For instance, Wright could handle about all the production the Air Force needs of the British Sapphire jet. But Buick Division of GM will be kept in production of the engine, just the same.

III. How Slow Is Production?

If jet production had moved forward as rapidly as the more optimistic planners had hoped, the piston engine might have got its coup de grace even earlier. But certain factors had been overlooked—such things as forging capacity, certain special purpose tools that are just being standardized, certain critical materials that had to be substituted for. These have jumped up to play hob with schedules.

One very basic problem is that if you can get a tough-enough, heat-resistant-enough, and light-enough material it turns out hard to machine.

Another problem is that USAF and Navy want the most power they can get from their jets. Rather than freeze production on 6,000-lb. thrust engines, they are setting their sights for the harder-to-make 10,000-lb. thrust engines, most of which have never been flight tested.



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Small Firms Aren't Losing Out

Reports that defense contracts are driving small businesses into bankruptcy don't stand up. Most operators say they are doing all right—or they wouldn't come back for more.

If a small manufacturer goes broke on a defense contract, he can't always blame the government. Like as not it's his own fault.

For the past few weeks, a lot of small companies have been crying on the shoulder of the Senate Small Business Committee in Washington that they were losing their shirts on defense subcontracts and small prime contracts. Last week BUSINESS WEEK made a coast-to-coast check of small manufacturers to see if this is the general rule.

The answer is that while few small plants will get fat on a defense contract diet, at least it will keep most of them from being starved out of business entirely. And the majority of plants that have gone bankrupt trying to fulfill their contracts probably would have done so anyway. Many were fly-by-nights, out to make a quick wartime kill.

Of the plants that have lost money on contracts, those that have had no previous experience with war contracts have suffered most. Much of their trouble came from inexperience in dealing with Washington agencies. Their difficulties stem from several sources:

- Failure to read the specifications of the contract carefully. Such a thing as overlooking the f.o.b. line can mean the difference between profit and loss. One manufacturer skipped a whole series of close-tolerance operations which the specifications had clearly indicated as necessary.

- Lack of expert consultants to estimate the cost of production. One shop bid 7¢ apiece on an item. That was obviously ridiculous when the next lowest bid was 95¢ apiece. Sometimes procurement men have a real argument on their hands to convince a bidder that his price is impossibly low. Larger firms don't often make this mistake, as they usually have engineering staffs.

- Inadequate financial backing. In ordinary business, a manufacturer usually gets paid for a job immediately or soon after delivery, and he can count on the take from one job to finance the next. In the case of war contracts, however, it takes as long as 16 months for reimbursement. By that time, the plant may be flatter than a flounder.

- Complicated paperwork. The average small plant, particularly if it doesn't have a legal staff to translate Washington gobbledygook, has hard going.

- Welcome Mat—On the whole, however, businessmen welcome govern-

ment orders, make good money on them (8% to 10%). They put up with government procurement agencies as eccentric, sometimes inefficient, but good paying customers. As one plant manager put it: "When a small business gets out of its league and is dealing with anything as big as the defense program, whether it is directly with the government or through a prime contractor, you've got to play by their rules. Lots of small firms haven't yet realized that. And you can discount a lot of the squawking by some of these little guys. They usually are in one of two classes. Either they haven't been in it long enough to really know how they are doing, or they are repeaters. And if they keep coming back for more you can bet your bottom dollar they aren't doing badly."

Some of the bigger smalls bid for jobs under cost, purposely. They're so hungry for work that they figure low just to get the contract and keep the shop going. When civilian business is at a snail's pace, some would sooner work at cost—or less—than let people go. Then too, they can always go to Washington and tell the agencies how much money they're losing, hoping the government will renegotiate the contract. Sometimes it works.

- Too Hot to Handle—On the other hand, BUSINESS WEEK turned up a lot of legitimate beefs. Some reputable firms won't touch a defense contract with a 10-ft. pole. They say the whole setup is too meshed with red tape which—considering the low bids they have to submit to get the jobs—makes the whole deal unprofitable. Others insist that the government is the worst customer in the world. It demands too many changes, and a costly mistake won't be corrected. One southern firm made a typographical error in its bid—\$1.40 instead of \$140 for an item. Held to it, the company went broke fast.

A common complaint was that the government gives out no information on the scale of bids. Only the successful bidder learns that he got the job. The rest of the industry never knows how high or how low other bids were.

- Political Plum—Some management men interviewed did a little sniping at government delays. One contract, which was completed in August, 1951, didn't turn up as an order until Feb. 18. Management reasoning: "The government is just not putting out the business—it's holding off till later in

used here in press brake dies...

Pre-hardened Carilloy FC Steel **is easier to machine than softer steel formerly used**

HERE'S THE STORY AS TOLD BY A LEADING PRESS MANUFACTURER:

"We checked 4 bars of CARILLOY FC steel (300 BHN) against 4 bars of ordinary type die steel (250 BHN). Identical press brake dies were made from these steels in our die planer department. Roughing speed was 32' per minute. Finishing speed was 16' per minute. Standard high-speed steel tool bits were used.

"The FC steel cut clean. There was no tool damage or wear. The regular steel did *not* cut clean. The chips kept gumming up. Tool wear was substantial. Although the FC steel used is a good 50 points higher in BHN than the regular steel, it works much better.

"The smoother finish of the FC steel is also very important in any press brake die, because the metal being formed is literally dragged over the working points. Since the FC steel dies are smoother, less pressure is needed to make the bend; and the finished part has no scratch marks.

"Even when forming high tensile steels, the 300 BHN hardness of FC steel often makes it unnecessary to re-treat the finished dies."

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CARILLOY FC is available now in all standard bar sizes. And remember, CARILLOY FC steel costs only a *fraction of a cent* more per pound than ordinary, thorough-hardening alloy steels.

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the year to keep plants buzzing around election time."

Several firms were jittery over renegotiation of government contracts mostly because they don't know what to expect. One outfit said it had tried every way it knew—including querying Washington—to find out about renegotiation, but could get no satisfactory answers.

• **Labor Problem**—Another sore point was the differential in labor costs in different parts of the country. New England griped that it had to make competitive bids with southern firms which have lower wage scales.

Several Birmingham (Ala.) firms that were invited to bid on defense jobs tossed the invitations into the waste basket and refused to bid because of the Walsh-Healey Act, which specifies minimum wages for plants working on government orders. They say that their employees are satisfied with the wages they are receiving now; if the company is forced to increase these wages to meet those paid in the North, it would be ruinous to them. When the emergency is over they could not revert to the old scale.

• **Ill-Fated**—Other company officials claim that the little businessman is licked before he starts. One New England manufacturer sent in requests for specifications on some kind of vacuum frames. He got back specifications on iron beds. He sent in a second request for specifications on vacuum frames. He got back another set of specifications for iron beds. He gave up.

Some firms have bid and received contracts for, say, a \$2,500 job, then discovered too late that they would have to invest at least \$100,000 in new equipment to fill the contract. When the company finally gets tooled up, the agency may run out of money temporarily, and the company has to lay off employees.

• **Is It Worth It?**—The red tape involved is a particularly sore spot. One metalworking shop turned out 16,002 small parts instead of the 16,000 the contract called for. When the order was delivered, some officer signed for 16,002, and the papers moved through the usual channels. But the disbursing officer wasn't authorized to buy any extra items, and in sending the papers back through the necessary channels, they got lost. The metalworking firm was small, and it had been counting on the government check to finance another job. It was on the verge of folding, until the owner finally got someone's ear and a follow-up was made. The government finally sent the owner back the extra two pieces for paperweights, signed a new receipt for the exact 16,000—and the check came through in a week.

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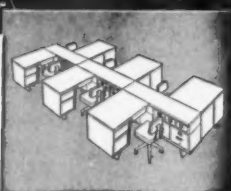
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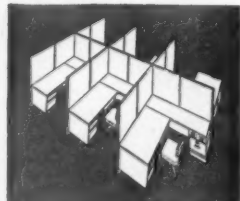
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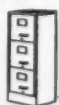
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READERS REPORT

Hoover's Gibraltar

Sirs:

I was pleased to see your rejection of the Hoover line of thinking [BW—Feb. 9 '52, p152]. We have made our decision to accept our responsibilities across the Atlantic and costly though this will be I hope we will stay with it. Your editorial, I venture to guess, is probably one of the few strong positions taken on this question in a business publication.

R. D. OSGOOD, JR.

BIRMINGHAM, ALA.

Dear Sir:

... The question raised by Mr. Hoover has never been debated thoroughly, but was handled by Congress without very much debate and entirely too quick to develop the feeling of the people, and it is most sure that the American public have never had an opportunity to vote against such a program, but have only been able to vote inferentially for such a program. I am commencing to be fearful that the program we are on will bring us to disaster, and this very disaster may permit us to fall to world communism.

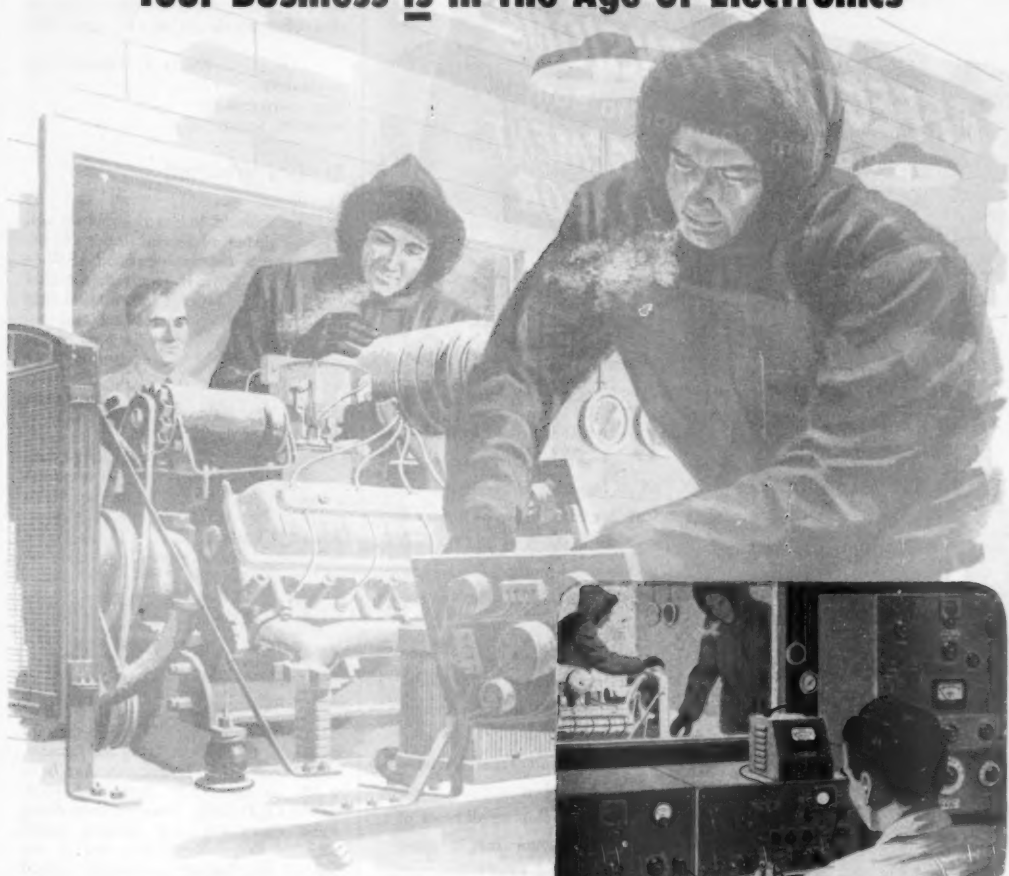
In the U. S. Congress, Mr. Kefauver succeeded in getting 118 signatures to support a world government program. Seems to me that if there are 118 men in the U. S. Congress in favor of world government, and at the same time Congress, containing these men, votes practically unlimited funds and the use of American troops in Europe to prevent world government by the Communists, we have an illogical situation, as after a decade of shaking down, world government would get to the same pattern, regardless of who started it.

The agreement that has now been made with Great Britain and France that their governments' permission must be granted before the air bases established in their countries can be militarily used by our forces, would certainly indicate that Congress has appropriated money for the defense of the U. S. which cannot be used excepting by the permission of a foreign government. This would seem to be the very height of the violation of the Constitution.

The question whether or not our Constitution permits us to establish additive troops to the European army, is grave.

It seems to me that these questions are of terrific importance and in the absence of a great deal more information I am sure that I could not definitely arrive at the final answer. . . . There should be a great deal of debate

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and the matter should be referred to the American people in some form, so that what we do do, can be done with unity.

FRANK L. LOWMASTER

PRESIDENT
THE MATHEWS CO.
DETROIT, MICH.

Stalin's Windfall

Gentlemen:

I was amazed to see the picture you have published of several important defense plants clearly identified [BW—Feb.16'52,p126]. It seems to me that this is just the type of information that Joe Stalin would love to have and you have made it very easy for him to get vital information. My reaction is "how dumb can you get?"

CHARLES C. CARPENTER
SCARSDALE, N. Y.

• Aerial photos of these long-established plants are not new, so BUSINESS WEEK doubts that it is telling Joe Stalin anything he does not already know. Reader Carpenter may refer to BW's policy on censorship as brought out in a recent editorial (BW—Oct.20'51, p172).

Increases Decreased

Sirs:

The last paragraph of the cost-of-living story in the Labor section [BW—Feb.2'52,p34] has the percentage increases in the cost of living for January, 1951, reversed. The increase has been 4.2% on the NEW basis and 4.6% on the OLD basis. Since we were doing some estimating and figuring under General Wage Regulation No. 8, the use of the wrong percentage caused us considerable trouble.

PETER E. RENTSCHLER
PRESIDENT
HAMILTON FOUNDRY & MACHINE CO.,
HAMILTON, OHIO

• BW's face is red. The figures in the table used in the story were correct, but the figures in the story got shuffled.

Beating the Shortage

Dear Sirs:

Your story "How to Beat the Engineering Shortage" [BW—Feb.9'52,p46] struck a responsive chord. Never in our 60-year history have we experienced such a demand for assistance from industry as the current one in the field of engineering training.

We were rather surprised at your statement that "only a few isolated companies are taking advantage of the solution that they know exists." On the contrary, we are participating in a



The Jefferson



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THE PLAZA AND THE ROOSEVELT
In Chicago—THE CONRAD HILTON
AND THE PALMER HOUSE
In Washington, D. C.—THE MAYFLOWER
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In Fort Worth, El Paso, Lubbock, Texas—
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**AMERICAN
MANGANESE
STEEL
DIVISION**

■ This 10-ton Lorain-TL Self-Propelled Crane, Model SP152, is just one of 4 Lorains owned by the American Manganese Steel Division to serve its various plants. But the way its rubber-tire mobility enables it to "get around" their Chicago Heights, Illinois, yard makes it look as though it were trying to be all four machines rolled into one. And it almost is—as it unloads cars of sand and coke—uses a magnet (which is always carried on the utility platform for ready use) to handle melting scrap—transports flasks to foundry—and handles countless other material handling jobs around the plant... and all this with one man at the controls. Because it can move from job to job fast, it's always busy—speeds production, cuts handling costs. It's truly a "one man gang".

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of Commercial Size
Power Cranes & Shovels

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LORAIN**

large number of such programs, many of which feature interesting variations in the techniques for overcoming the engineering shortage.

For example, one major manufacturer in the electronics field has enrolled local high school seniors for special I.C.S. drafting training which is taken "after hours" during the student's last high school semester. The bait—possibility of a good job after graduation.

Other corporations are offering similar training to employees who are interested in drafting... with the result that graduate engineers are freed from much routine work. Still other companies give short intensive training to prepare new employees for simple drafting room assignments, then outline a schedule of related technical I.C.S. lessons for "extra-hour" study to qualify the trainee for advancement—at company expense.

GLENN A. OMAN
INTERNATIONAL CORRESPONDENCE
SCHOOLS
SCRANTON, PA.

Mylar Maligned

Dear Sir:

We thought you would like to have the record straight on "Mylar" polyester film [BW—Feb. 25, p51]. Du Pont does not describe "Mylar" as an electrical cellophane... It has distinct properties which indicate major uses for which cellophane and other commercial films are not suitable. Actually, the mechanical and electrical stability of "Mylar" is good over a temperature range of 302F to -58F.

ROBERT J. BULKLEY, JR.
E. I. DU PONT DE NEMOURS & CO.
WILMINGTON, DEL.

Messy Jam or Pretty Pickle

Gentlemen:

In your report "Peron: Still Talking Big, But in a Jam" [BW—Feb. 16 '52, p189], you said that as of Dec. 31 Argentina had about 3-million pesos in gold and foreign currency reserves. According to my arithmetic this comes to the startling figure of only \$210,000. Despite Peron's amazing juggling of the economy, this is too far out of line even for him. Am I correct in assuming that the figure should be in the billions?

MARY C. WEBSTER
EDITOR
COUNCIL FOR INTER-AMERICAN
COOPERATION, INC.
NEW YORK, N. Y.

• BW got tripped up in its figuring, substituted millions for billions, which nevertheless still leaves Peron in a pretty pickle.

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...unlike anything you've ever seen

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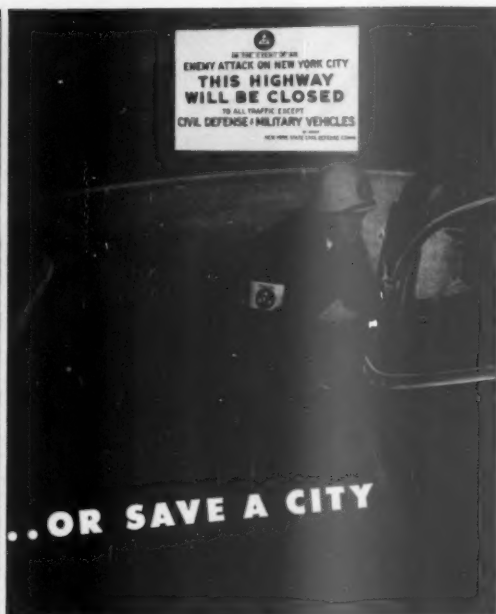
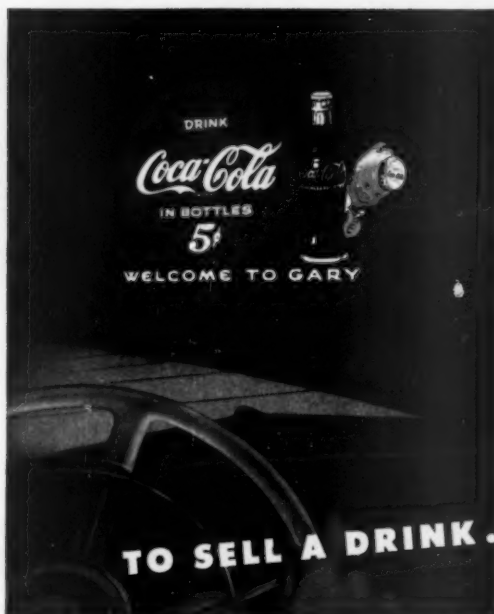
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Call your local sign supplier and ask him to make the FLASHLIGHT TEST right in your office! He'll show you how "SCOTCHLITE" Sheeting works.



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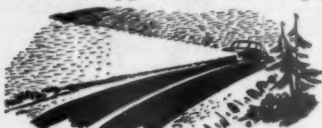
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For low-cost signs you can SEE day and night!

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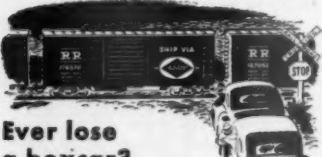
Highway Life-line! Modern, safety-engineered highways now gleam with a new, life-saving material. It's "CENTERLITE" Reflective Compound—a patented pavement marking that combines reflecting glass lenses with a tough,



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LAW

The Damage Suit Blues

That's the theme song of St. Louis businessmen. The Chamber of Commerce is starting an investigation of the city's reputation as a center for trial of damage cases.

St. Louis has long had a reputation for being one of the worst places in the country for a big company to defend a damage suit. Lawyers say its juries delight in soaking the rich, especially if the rich are railroads, insurance companies, or the St. Louis Public Service Co. (the local transit line).

This reputation has been getting more and more on the nerves of local businessmen. They think it runs up their costs, scares off new industry, and invites reprisals from other states. Early this year, they launched a campaign to stop the flood of suits. The result is a mixed-up fight in which doctors, lawyers, and businessmen are involved on both sides.

• **Damage Suit Reno**—One thing almost everyone agrees on: St. Louis for one reason or another has more than its share of suits.

"The Reno of the railroad damage suit business," the St. Louis Globe-Democrat called the city after checking court records last summer. The paper found that an average of one suit per day was being filed in St. Louis against railroads—more than one-third of them being claims by non-Missourians in accidents that happened outside Missouri. The biggest total of claims, in fact, was against the Santa Fe Railroad, which doesn't come any closer to St. Louis than Kansas City.

The Supreme Court has ruled that St. Louis must entertain out-of-state damage actions if the railroads have local agents who can be served with papers.

• **Magnets**—Why claimants should want to bring their suits in St. Louis is another question. Some reasons have been suggested by lawyers:

• **City jurors** anywhere tend to award higher verdicts than smalltown jurors—they're accustomed to a dollar that doesn't go so far. St. Louis city jurors may be more liberal than most because the urban area has an increasingly high percentage of labor union members who have little sympathy for corporate defendants.

• **St. Louis** is a big hospital center, drawing patients from a wide radius. It's the place where accident victims retain their lawyers and where the medical witnesses are.

• **The city** has several lawyers spe-

cializing in damage suits, who operate like a big business, with expert staffs to assemble the evidence they need to make a case.

• **Missouri laws** are more favorable to the plaintiff in negligence cases than the laws of many other states. It takes agreement of only nine jurors, for example, to arrive at a verdict.

Lawyers generally consider the state court juries more liberal than those in U.S. District Court. The federal court draws its panels from a wider area, gets more farmers, retired businessmen; the state court jurors are more likely to be laborers and mechanics.

• **Local Transit Target**—The St. Louis Public Service Co. is under almost as heavy a barrage of suits as the railroads. A year ago the company hired Alderson & Sessions, management consultants, of Philadelphia to study the situation. The study covered nine transit lines in cities of 500,000 or more, to compare damage suit losses.

Alderson & Sessions found that from 1945 through 1949 claim costs in St. Louis were 77% above the average for all nine cities; these costs were more than 8% of gross revenue. St. Louis was also the highest in claims expenditure per accident, running nearly twice the average for all nine cities.

The report said St. Louis Public Service would have saved more than \$2.5-million in the five-year period if it had been operating in a city with average claims rate.

"Figures point to the existence of an advanced form of racketeering," the report concluded, "and suggest that the claims racket has reached the proportions of big business."

• **Battle Begins**—St. Louis businessmen have periodically complained about the damage suit situation, not only to the local bar association but also to the St. Louis Medical Society—some doctors appear so often as witnesses for the plaintiff that court attaches call them "the testifying professionals."

In January, the Chamber of Commerce of Metropolitan St. Louis jumped into the situation with both feet. With a blast in all directions, President George C. Smith announced that the chamber had set up an anti-racketeering bureau headed by Curtis A. Betts, 69-year-old retired newspaper-

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man. Smith set forth eight subjects for study by the new bureau, including:

- "The inadequacy of laws affecting sharp practices and ambulance-chasing."
- The reason for abnormally high verdicts awarded by St. Louis juries in damage suits.
- The attitude of the courts and bar association toward ethics in the legal profession; similarly, the attitude of the medical profession.
- "The selection and behavior of juries."

• The need for revision of laws, perhaps even the state constitution, to control sharp practices and the number of out-of-state cases.

Smith cranked up with a special blast at some lawyers: "With the lawyers organized to promote higher awards [a reference to the National Assn. of Claimants' Compensation Attorneys] and, therefore, higher fees for themselves, the business community must also organize to protect its interests, which are generally quite opposite to those of the plaintiff lawyer. . . ."

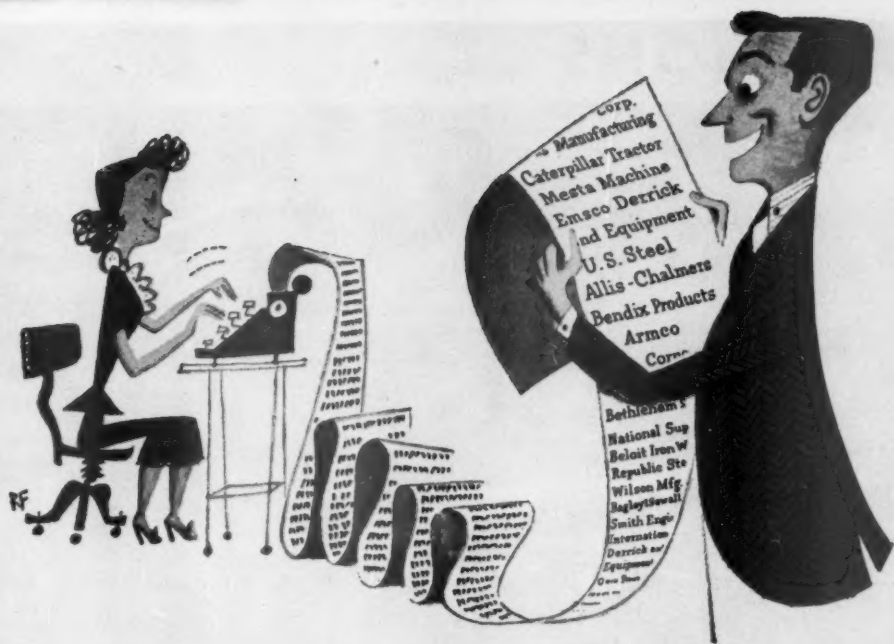
• **Grand Jury Hearings**—Smith's speech and the chamber's action quickly drew answering fire. Lawyers' associations accused Smith of "trying to smear every lawyer in town." They said the chamber is trying to frighten the damage suit lawyers out of business—and they said big defendants in damage suits are prominent in the Chamber of Commerce move. Smith, they said, used to be a railroad executive.

Judges, both federal and state, directed grand juries to investigate Smith's charges. Smith was promptly called to testify before a district court grand jury, and he had a date later with the state court grand jury.

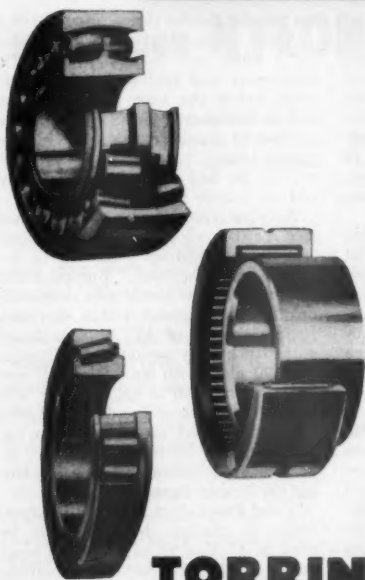
• **Openhanded Awards**—Beyond better screening of talesmen, no one seems to know what to do, though, about the human element in juries.

Last June, for example, a railroad switching foreman won a \$126,000 verdict in a state court against the Santa Fe. He testified he stumbled over a culvert while running to warn an automobile approaching an unguarded crossing; his back and left knee were broken. His lawyer said the Santa Fe was negligent in not lighting the culvert and not guarding the crossing.

In a \$30,000 suit against St. Louis Public Service last fall, a man claimed disabling back injuries when his car was hit by a streetcar. Three doctors testified for him. Transit company investigators, however, shadowed him with movie cameras, showed films in court of the plaintiff climbing a ladder to work on a roof, taking down a neon sign, hauling a refrigerator out of a house in a cart. The plaintiff's lawyer accused the company of trickery—and the jury awarded the man \$7,000.



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VACATIONS



PLANES AND SHIPS carry more Americans to Europe today than ever before. Across the Atlantic, the welcome sign is out for . . .

U.S. Tourists: Bumper Crop for Europe

Retailers may be finding it tough to loosen up U.S. spending power, but for travel agents the money is flowing freely—at least in the direction of Europe. All signs point to a whopping '52 season that may well top even the Holy Year high of '50.

• **Optimism**—The outlook for increased European travel was never rosier, even in the fabulous twenties. Last year about 270,000 Americans took a look at the Old World. Birger Nordholm, European Travel Commission chairman, figures they spent about \$381-million, including about \$80-million in fares to European-owned carriers. This figure doesn't include U.S. carrier fares. In '52, Europe hopes to have 300,000 to 350,000 U.S. visitors, who, Nordholm thinks, may lay out about \$450-million.

Advance bookings bear out the optimism. Reservations are way ahead of this time last year, and pulling ahead of '50. Tours are filling up early and all types of transportation are getting scarce. Tourist-class ship space is sold out from June to August, and is even tight for April and May. Airlines report a rush for space: TWA says its bookings have shot up 180% over 1951.

• **Three Dead Bugs**—You get an idea what's triggering the boom from a sur-

vey made by the American Society of Travel Agents in 1951. ASTA asked a big group of agents what they thought were the biggest handicaps to increasing travel to Europe and the Mediterranean. Heading the list were war scares, the need for more low-rate transportation, and the short supply of transportation in the summer season. This year, there's progress on all three fronts.

• **First Front**—Unlike the '51 model, this year's tourist doesn't seem a bit jittery about a possible war. People are paying for tickets in full, instead of putting down deposits. "When people pay a deposit, it means they aren't sure of going," says a leading agent, "but when they pay in full, it means they're not afraid of the international situation."

• **Second Front**—The transportation-cost hurdle may be scaled by the launching of tourist-fare coach plane service (BW—Dec. 22 '51, p. 21) across the Atlantic. Starting May 1, 11 scheduled airlines will operate aircoach flights between the U.S. and major European cities. Price cuts—in the case of New York-London round trip, \$486 tourist class as against \$711 standard fare—will be substantial. (However, it's still cheaper to go tourist class by sea where

the average tourist rate is about \$330.)

Airlines expect the tourist setup to tap a whole new market of two-week vacationers and customers who previously lacked the time and money to take a European jaunt. The recently announced service is getting a big response already. Coach flights are sold out for the first few weekends in May and are heavily booked into July.

As a corollary to cheaper fares, travel men are scouring Europe for more low-cost accommodations that will be acceptable to Americans. Europe could use about 50 new hotels with room-and-board rates of about \$10 a day, says Irwin Robinson of ASTA. One travel outfit has already worked out a European-\$100 plan, with six different 10-day itineraries at \$10 a day. There will even be a choice of five-day conducted tours. To travel experts, that's a significant move. It means the travel industry is ready to work hard at broadening the base of European tourism.

• **Third Front**—Not only will transportation be cheaper, but there will be more of it. That gets at the third point raised in ASTA's survey. Counting both classes, about 100 flights a week will take off for Europe at the peak of the season—compared to about 70 a week in '51. Shipping lines, too, will



HOW TOUGH **NYLON** BELTS PEEL TOMATOES BY THE TON

Here's how tomatoes get skinned in a cannery—another example of the way Du Pont nylon fibers solve unusual wear problems.

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Under this constant rubbing, ordinary belts begin to mat and give way after only 3 or 4 hours' use. And when a belt fails, the conveyors have to be stopped 20 or 30 minutes until it is replaced—a costly piece of down time.

Belts made with nylon changed all this. Fruit acids don't weaken nylon. And nylon belts have much greater re-

sistance to abrasion and matting. They peel 40 times as many tomatoes before wearing out as the kind formerly used—with proportionately less down time.


Nylon belts are easier to keep clean. Juice and peeled skin are washed away as the belts whirl on. They don't become slippery and leave some tomatoes only partly peeled as the other belts did.

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If you sell metal articles or parts, this preference is important. Should conditions become more competitive, with people harder pressed for cash, it will be even more so. Now, when you're planning for possible tougher years to come, investigate up-to-date press methods applied to your problems. Consult a Clearing engineer before you take another step. There's no obligation.



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"... about 100 flights a week will take off for Europe at peak season ..."

VACATIONS starts on p. 78

be ready with more space. America's first superliner, the S. S. United States, makes her maiden voyage July 3, adding 100,000 berths to space available for roving Yankees. Many American and European lines plan to swell their transatlantic fleets.

• **Opportunists**—All these strides have a lot to do with the fact that so many Americans can translate a yen to see Europe into action. They now feel they can afford such a trip. And aggressive travel promotion has played upon basic favorable economic factors: the increase in disposable personal income, increase in personal savings, increase in the size of middle and upper-middle income groups, and the trend toward longer vacations.

• **Luring the Dollar**—France and England are sure to hold their lead as American favorites, but a number of other countries expect to make big gains. All the Scandinavian countries hope to cash in on the Olympics, and they are also beginning to attract a lot of second-round tourists. But how they can house and transport all the visitors is far from solved.

Other major tourist spots, too, are expecting big things this summer:

Italy has beaten the rest of Europe in breaking the hotel bottleneck. Since 1949, the Italians have put up or modernized over 2,000 hotels, topping prewar capacity by 17%. Many of the hotels are complete with all the latest gadgets—Statlers in the midst of antiquity, as one traveler put it. The recent American interest in everything Italian is expected to carry over to tourism, boost Italy's business still further.

Western Germany was pretty well out of the tourist picture for a while, but now it's back in. While most European nations saw a drop in the number of U.S. tourists last year as against '50, American tourism was up 40% in Western Germany. Travel and hotel facilities are shaping up and its tourist offices are promoting hard.

Spain also had a rapid rise in American visitors in '51. To get needed dollars, she's encouraging '52 prospects with a favorable exchange rate and new and refurbished hotels.

Yugoslavia's usually wary government, caught short of western currency, is now hanging out the shingle for tourists. It's setting up special room-and-board rates, planning better air service with other European points. Yugoslavia, too, aims to get in on the bonanza of the Yankee abroad with pockets bulging.



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COSTS DOWN—TOCCO cuts cost—saves \$82,507 per year on application shown above. TOCCO makes possible use of C-1050 A.R.R. steel instead of expensive A-8645-H alloy steel previously required. TOCCO also eliminates shot-blast, formerly needed to remove scale, and extra machining operations that used to be necessary to compensate for distortion.

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VIRGIN ISLANDS Swimming pool above belongs to the Virgin Isle Hotel on St. Thomas, one of the three largest of the Virgin Islands. St. Thomas is just east of Puerto Rico and—like its neighbors—has an average year-round temperature of 78F. Highest temperature

on record is 91F; lowest is 63F. There is no rainy season at all. Tourists get their choice of transportation: There's daily inter-island boat and plane service, plus regular taxi service on all islands. The U.S. bought the Virgin Islands from Denmark in 1917; English is the basic language, dollars and cents the regular currency.

Caribbean Gets Busier and Busier



Europe has usually had the edge over other parts of the world in the competition for American tourists. But nearly abreast of it are the Caribbean islands. Cuba, Puerto Rico, Haiti, Jamaica, and the Bahamas are attracting more U.S. vacationers now than ever before.

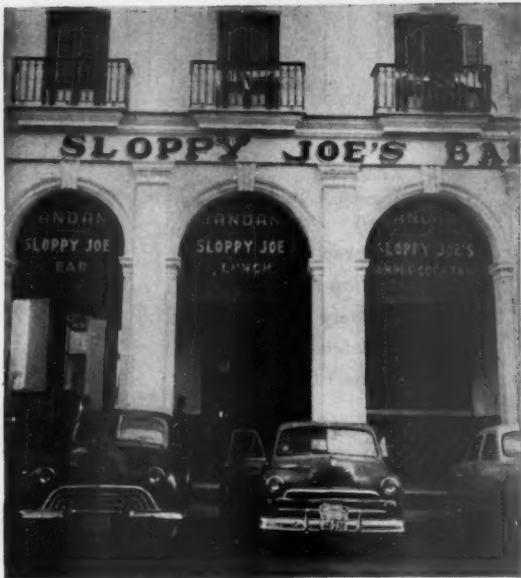
• **Flood Tide**—The yearly stream of southbound traffic is fast becoming a torrent. Last year's figure—about 226,000 Americans—was almost 20% above 1950's. From all accounts, the jump will be at least as great this year.

Travel agents now rank the area third—behind only the continental U.S. and Europe—in providing their total volume of business, an American Society of Travel Agents survey shows.

• **Trigger**—A triple play among hotel men, promoters, and the airlines was



JAMAICA Big modern hotel under construction (above) will help hold the ever-increasing flood of tourists. Indication of demand for rooms is the fact that this hotel is going up only three years after the 100-room Tower Isle was opened. Jamaica has about 20 fair-sized hotels.



CUBA Probably one of the world's most famous bars, Sloppy Joe's is located in Havana. Other entertainment on and around Cuba includes a race track, gambling casinos, deep-sea fishing. U. S. dollars are not legal tender, but the dollar and the Cuban peso are at par value, and dollars are cheerfully accepted.



TRINIDAD Most southerly of the Caribbean islands, Trinidad's climate is tropical. Average daytime temperature is 84F. Flora and fauna include wild orchids, hummingbirds. January through March is the cool season, January through May the dry season; consequently, the first quarter of the year is the most popular among tourists.



PUERTO RICO Caribe Hilton Hotel, with 300 rooms, is at San Juan on the north coast of Puerto Rico. Rates for a single room vary from \$9 to \$16 during the winter season; during the summer—the Caribbean's off-season—rates are lower. Puerto Rico has about 2-million inhabitants; they speak largely Spanish, but are American citizens.



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"... Air service to some points is three or four times greater than last year ..."

CARIBBEAN starts on p. 82

what started things rolling. The lack of really first-class hotels has long stymied the development of the area as a major vacationland. Until recently most West Indies visitors were passengers on cruise ships. Now new and lavish hotels such as the Caribe Hilton in Puerto Rico and the Tower Isle in Jamaica are changing all that.

Travel agents, quick to see a more salable item, have been plugging hard. That's important, since about 80% of the foreign travel business moves through agents' hands. Island governments—joining the airlines and hotels—have enlarged their promotion staffs, and are working overtime to swell the Caribbean siren song.

Meanwhile, improved air transportation has been doing its bit. Frequent flights have brought the islands within a few hours of Miami, easily accessible to the eastern half of the United States. To some points, air service is now as much as three or four times greater than it was last year. Inter-island service is also expanding fast. About 85% of the U.S. traffic is airborne.

• **Selling Points**—These factors were all that was needed to bring into play the islands' basic lure of fine beaches, a colorful foreign atmosphere, and—perhaps most important of all—year-round balmy weather. Their southern location keeps them warm in the winter, and the trade winds keep them cool in the summer. The average winter temperature in Havana, Cuba, for instance, is 72F; the average summer temperature, 79F. "On the coldest evenings," the American Society of Travel Agents' magazine promises, "a light overcoat will suffice." The easternmost of the Caribbean islands, furthermore, have only very short rainy seasons—some of them none at all.

• **12-Month Season**—Caribbean cruises and resorts, up to now, have been mostly geared for winter travelers who want a deluxe vacation. But there are also air-coach trips to some major points, and an ever increasing number of air package tours within reach of slimmer pocketbooks.

The latest move is a Florida-like effort to build up the summer season. Hotels are staying open all year round, offering special summer bargain rates. The idea is to convince white-collar workers that they can take a Caribbean vacation as cheaply as they can explore the United States. It has caught on so well that last summer's business showed little off-season dip.



Electricity... A Whole World of Workers for U.S. Industry

Punching the time clock of American industry annually is a vast army of invisible workers numbering more than the entire population of the world! Electricity provides it. For each of the 16 million production workers in U.S. manufacturing industries today — an all-time high — is assisted by 14,000 kilowatt hours annually — equivalent to over 200 able-bodied helpers. Nowhere else in the world do production workers have nearly as much help from electrified industrial facilities, because here in America is generated one-half of the world's total output of electricity. Year by year, it assumes a larger and increasingly vital role in our industrial economy. In the last ten years, kilowatt-hour usage per worker has risen nearly 50 per cent while production employment has soared to a new rec-

ord. Here in a nutshell is the secret of America's amazing productive capacity and prosperity — its ability to turn out half of the world's goods with only 7 per cent of the world's population.

Essential as it is to our national economic strength, security, and modern standard of living, electric power still is America's best buy... costs industry less than one per cent of total product value... the average family only a few cents a day... while both are using more of it than ever before.

To keep our giant army of electrical workers up to needed strength, the nation's power companies have planned far in advance to meet growing demands. Only lack of necessary materials for construction and equipment will prevent their fulfillment.



ELECTRICITY...
so much for so many
... for so little



**BABCOCK
& WILCOX**

*One of a series of advertisements sponsored by
The Babcock & Wilcox Company to bring the facts about electric power to the public.*

H-130

Improve Truck Performance!



Go Modern with

TIMKEN *Detroit* AXLES

A PRODUCT OF THE TIMKEN-DETROIT AXLE COMPANY

DETROIT 32, MICHIGAN



TRADE MARK REGISTERED

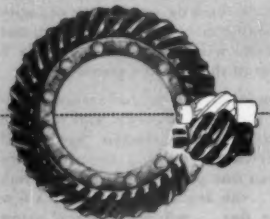
Here's One More Reason Why!

HYPOID HEAVY-DUTY GEARING

These are busy times—and profitable times—if your truck can produce when-
ever it's needed—wherever it's needed!
And the truck men who are making
the most of today's profitable business
—and their equipment—are the men
with trucks rolling on Hypoid-gear
Timken-Detroit Axles.

This modern axle gearing boosts
truck performance—provides extra
dependability for rapid, long-distance hauls. The offset Hypoid pinion is
bigger and stronger. Bearings are bigger. More teeth are in contact, reduc-
ing loading per unit of contact area. Torque-transmitting capacity is
increased. Slower gear ratios are practical without loss of strength. What's
more, time-proved Hypoid gearing adds mile upon mile to the life of your
truck, at lower maintenance cost.

Whether you build, buy or sell trucks, make sure they're equipped with
Timken-Detroit Axles and Brakes! You'll find Hypoid gearing an im-
portant advantage.



WORLD'S LARGEST MANUFACTURER OF AXLES FOR TRUCKS, BUSES AND TRAILERS

PLANTS AT: Detroit and Jackson, Mich. • Oshkosh, Wis. • Utica, N. Y.
Ashland, Kenton and Newark, Ohio • New Castle, Pa.

BUSES

Bus Deal

Greyhound has asked
ICC permission to take over
assets and routes of American
Buslines.

There will be some important
changes in the country's complicated
map of bus routes if the latest deal
proposed by giant Greyhound Corp.,
Chicago, gets official clearance.

The Hound has just filed a formal
request with the Interstate Commerce
Commission for permission to take over
the assets and routes of American Bus-
lines, Inc. This means the end of a
once-formidable competitor—which only
a few years ago was enticing some of
the Hound's most capable men to join
its expansion program. If ICC ap-
proves, it will also mean a stronger po-
sition for Greyhound Corp. and its sub-
sidiaries in the national bus network.

• **Let's Share**—Apparently as a conces-
sion to ICC, Greyhound offered to re-
distribute the routes and intrastate and
interstate certificates it would acquire
from American. Under its proposal, it
would share routes with Transcontinental
Trailways, Inc., its stiffest competi-
tor in the Southwest.

Transcontinental would be offered
American Busline's present Chicago-St.
Louis routes to New York, and would
also be given the chance to take over
American's present Los Angeles to St.
Louis route via El Paso and Ft. Worth.
The latter move would make Transcon-
tinental a direct competitor with the
Hound over all existing southern routes
between points in California and the
East.

• **The Prize**—Greyhound would pay
American approximately \$3-million,
probably in the form of stock. For that
it would get for itself American's ace in
the hole—the Burlington line, presently
operating between Chicago and Los
Angeles in direct competition with
Overland Greyhound. The Hound has
a minority financial interest in Over-
land with Union Pacific R.R. Co., the
majority stockholder.

Burlington was formerly owned by
Chicago, Burlington, and Quincy R.R.
Co. and operated as Burlington Trail-
ways—one of the associated companies
making up the nationwide system of
Trailways Bus System, until about a
year ago when it was finally incorpo-
rated into American Buslines.

A well-managed, efficiently operated
bus line, Burlington has both interstate
and intrastate operating rights over the

same route as Overland Greyhound. It was always a thorn in the side of Overland, even before Overland became part of the Hound Family.

While Burlington and Overland may have got into each other's hair, both of them together have been challengers to Greyhound. But if Greyhound's plans go through and it gets Burlington, all that may change.

In that event, insiders in the bus industry think control of the Burlington would put Greyhound in a better position to wield some influence over Overland Greyhound. And if Overland and Burlington were ever combined into a solid one-company operation, Greyhound could come out with a majority interest in the new company.

• **Second Prize**—One other very sizable gain to Greyhound would be the acquisition of American's profitable Kansas City-Chattanooga route. The Hound would probably merge this into its Dixie Greyhound operation, which covers the same area.

Disposition of other local operating rights held by American, mostly in the South and Southwest, still remains to be settled.

• **American's Story**—As Greyhound stated in its petition to ICC, American Buslines has never been a financially successful company. From the start of its transcontinental service it was hampered by lack of feeder lines and friendly connecting carriers.

Determined to become an equal competitor of the Hound, but recognizing the soft spot in its make-up, American let it be known in 1946 that it was interested in acquiring the services of certain key Greyhound personnel. A number answered the call. Two of the Hound's top notchers are still with American today: Manfred Burleigh, chairman of the board, and Arthur Baldus, vice-president in charge of sales and traffic.

• **Tried and Failed**—Burleigh tossed a bombshell into the Greyhound camp soon after he went over to American. He filed for operating rights between Bay City, Mich., and Louisville, Ky. Fought bitterly by the Hound, Burleigh came within a whisper of getting what he sought. If American had won that one, the door could have been forced open for other local certificates.

But the greatest threat to the Hound came later when plans were announced for the merging of American, Transcontinental Trailways, and Southeastern Greyhound Lines, Inc. That deal never jelled—some say because of personalities. When it fell through, Greyhound lost no time in buying complete control of Southeastern Greyhound.

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BEST in the long run!



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Detroit
AXLE PARTS



You bought trucks equipped with Timken-Detroit Axles for a reason! Because they were equipped with the best, most dependable truck axles made! Don't sell yourself short when it comes to buying axle replacement parts. Install *only* genuine Timken-Detroit Axle Parts whenever replacement parts are needed.

The more important, more widely used of these parts are packaged in handy kits to help you do an easier, longer lasting, more complete replacement job. These kits also protect the parts against moisture and rough handling—to make sure the new parts reach you in the same condition in which they left the factory. What's more, Timken-Detroit Parts Kits contain *all* the essential related parts to do a "factory-type" replacement job.

Always insist on genuine Timken-Detroit Axle Replacement Parts when new parts are needed. You'll find them wherever the Timken-Detroit Axle Parts sign is displayed.

The Timken-Detroit Axle Company • Detroit 32, Michigan

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Gentlemen Please send me complete information on Timken-Detroit Axle Parts Kits.

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ADDRESS _____

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(Advertisement)



Thomas Shirt President Announces Plans for BIF

Los Angeles—M. C. Shapiro, President of the Thomas Shirt Company, announces that representatives of his firm will attend the British Industries Fair in London this year to inspect new designs and materials in British textiles. "My own visit to the BIF last year convinced me that no progressive textile concern should miss this annual event," said Mr. Shapiro.

British Industries Fair, London and Birmingham—May 5-16. For complete details, write or phone the nearest British Consulate, or; Commercial Department, British Embassy, Washington 5, D. C.

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HARTFORD LIVE STOCK
INSURANCE COMPANY
HARTFORD 15, CONNECTICUT**

UPDATES

What Has Become of

In the five years between World War II and Korea, a host of "revolutionary" developments came into the limelight. They promised to make big changes in the American way of life.

Some of them lived up to expectations; synthetic fibers, frozen foods, aluminum foil all made their mark with huge success.

Others, after much ballyhoo, came



Gar Wood's Venturi Ship

Retired speedboat-king Gar Wood startled nautical engineers in the summer of 1949 with his radically designed Venturi ship.

Twin-hulled, the Venturi was built to slice through waves instead of riding over them. This, plus buoyancy from the air space between the hulls, was supposed to make the ship more stable than any other type of vessel now afloat.

Wood designed the vessel primarily

for military work, though he saw it also as the prototype for superfast (up to 38 knots) passenger liners. The ship right now is in drydock at Miami Beach, Fla.; Wood plans to take it out again for more experiments—mainly with fuels—around Apr. 1. As yet he has had no firm takers for the Venturi design.

However, he says, there is "some commercial interest," and the Pentagon is considering it.

Yesterday's Inventions?

to an equally ballyhooed finish. The Lustron home and the Tucker car are good examples.

But a number of inventions that caught the public eye neither succeeded

with splash nor finished with a flourish. They simply dropped from sight. Here is a roundup of a few of these and what has happened to them since they made news a few years ago.



The Fuller House

In April, 1946, a magazine quoted a Washington official as saying the Fuller House would precipitate an industrial revolution or the most monumental flop in history. There has been no revolution—yet.

Conceived by the extraordinary Richard Buckminster Fuller, the house was the crowning triumph for Fuller's theory of what he called Dymaxion design (the hexagonal Dymaxion house of 1927, the Dymaxion car, the start-

ling Dymaxion bathroom). It hung, rather than sat, using a central mast. Circular in shape, it was held up (about a foot off the ground) by cables.

Beech Aircraft Corp. built the first and only completed dwelling. Fuller Houses, Inc., which was set up to handle quantity production, never really got started. Internal squabbles kept it from raising the \$10-million needed to tool up. A stockholder now lives in the house near Wichita.

We're the
**ENGINE-BEARING
SOURCE** with a
"TWO-WAY" STRETCH!



Our production facilities are specially designed to meet today's fluctuating quotas for automotive, tractor and industrial engines.

That's why you can depend on us to meet your most exacting requirements for precision engine bearings, promptly . . . whether in small custom, or huge mass-production quantities.

When you specify our engine bearings for your production, you are selecting a manufacturer who has been a leader in the field for over 25 years.

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ALUMINUM & BRASS
CORPORATION**

DETROIT 11, MICHIGAN

McLAURIN JONES
Product

packages have personality too!



Yours will have a "magnetic" personality when you use Old Tavern Gold and Platinum Papers for label, seal and box work.

Old Tavern is a product of the McLaurin-Jones Company, America's oldest gumming and coating specialists, who manufacture the widest range of gummed and coated papers in the world.

Whatever your gummed or coated paper problem, McLaurin-Jones has the solution on paper . . . ready to ship to you from one of its four mills, strategically located to serve the nation's major industrial areas.

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Manufacturers of the World's widest range of Gummed and Coated Papers such as: Waretone Mirror Finish Papers, Guaranteed Flat Gummed Papers, Ideal Stay Tape, Ideal Veneer Tape, and Blue Star or Tangierfoot Sealing Tape

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UPDATES starts on p. 88



Boeing's Gas Turbine

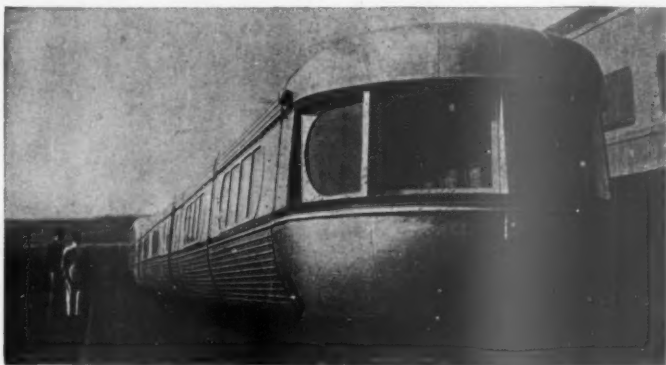
In April, 1950, Boeing Airplane Co. drew tremendous publicity by demonstrating a small gas turbine engine that could power a truck. The turbine weighed 2,500 lb. less than a piston engine of equal power and took up only 13% of the space.

Since its announcement, Boeing has been earnestly trying to live down the press buildup. It has warned repeatedly—as it did at the start—that the unit needs a lot more work before it is ready for commercial production. (Problems:

close clearances needed, high fuel consumption).

Right now the Navy—which backed the turbine project and had first call—has taken over production for its own use. The Navy reportedly is testing the engine to generate electricity on minesweepers and to power small personnel boats.

Kaman Aircraft Corp., which is operating under a Navy contract, is also using one of the small turbines in a helicopter.



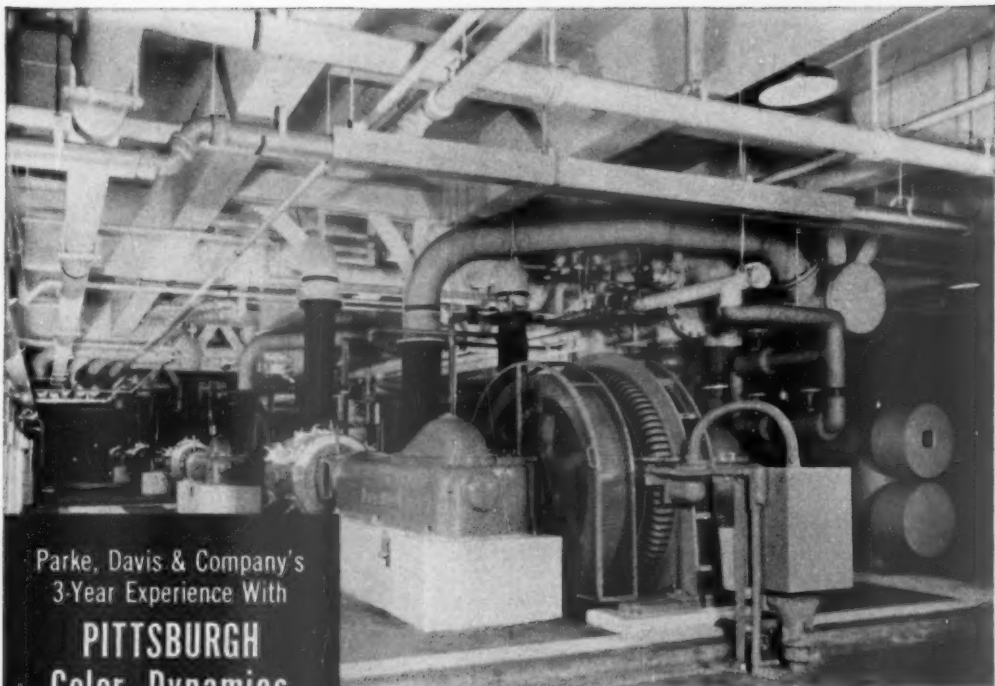
The Talgo Train

Like Robert R. Young's much-ballyhooed Train X, the Talgo was a new approach to railroad travel. Designed in Spain and built by American Car & Foundry Co., the train was sleek and low-slung (track clearance, 18 in.). Each railroad car had two wheels at the rear, rested at the front on the car ahead.

ACF manufactured three models of the Talgo: Two went to Spain, where

they are now running out of Madrid; the third was kept in the U.S. as a showpiece. Since 1949, the company has tried—unsuccessfully—to sell American railroads on the idea. One stumbling block has been Interstate Commerce Commission regulations: the train violates some of them.

ACF, now busy on war work, has sidetracked plans for any more full-scale promotion.



Parke, Davis & Company's
3-Year Experience With

PITTSBURGH Color Dynamics

Shows Greatly Increased
Operating Efficiency!

Modern scientific painting system which puts color to work
contributes also to improvement of work morale
and attendance in Antibiotics Division.

CONVINCING PROOF that Pittsburgh COLOR DYNAMICS contributes to production efficiency and employee morale is offered by the three-year experience of Parke, Davis & Company, Detroit, prominent manufacturer of pharmaceutical products.

● In the summer of 1948, Parke, Davis & Company completed a new building specially designed and splendidly equipped to manufacture antibiotics. Chloromycetin, a new drug with global demand because of its efficacy in combating many types of virulent diseases, is the chief product made in this new building.

● The interior of this mammoth structure—with its batteries of tanks, its miles of code-marked pipes, its series of laboratories and packaging rooms—was completely "color engineered" according to principles of COLOR DYNAMICS.

● Just how this modern painting system has aided production and morale is best expressed in this recent

comment of W. H. Mohrhoff, Superintendent of the Antibiotics Division:

● "When this new building was completed three years ago, we established production standards which were based upon such physical factors as new and better equipment and improved processes. We also took into consideration the greater amount of natural light the design of the new building gave us. The one intangible we were unable actually to measure was the purposeful use of color.

● "Our records show that production efficiency has averaged nearly thirty per cent greater than our estimate based on the tangible factors. At times it has been up sixty per cent. Much of this increase can be attributed to COLOR DYNAMICS.

● "At the same time, our attendance has been better than that in similar departments. There can be no better evidence of what our workers think of COLOR DYNAMICS than the many requests for transfer to this

building. Even laboratory workers seek to be transferred because they recognize they can do more and better work—with less nervous tension and physical fatigue.

● "Our experience with Pittsburgh COLOR DYNAMICS has fully confirmed our opinion that color, properly applied, can be helpful to management and employees alike."

COLOR DYNAMICS Engineering Study for Your Plant—FREE!

● Why not try COLOR DYNAMICS in your plant—on a machine or two, or in one department—and see the difference it makes? For an explanation of what COLOR DYNAMICS is and how it works, send for our free booklet. Better still, let us make a color engineering study of your plant, or any part of it, free and without obligation. Call your nearest Pittsburgh Plate Glass Company branch and arrange to have a trained color expert see you at your convenience. Or send coupon below.

Mail This Coupon For FREE Booklet!

Pittsburgh Plate Glass Co., Paint Div.
Department BW-32, Pittsburgh 22, Pa.

☐ Please send me a FREE copy of your booklet "Color Dynamics."

☐ Please have your representative call for a Color Dynamics Survey without obligation on our part.



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... SERVING AMERICA**

You are always close to Continental Can with its 65 plants in the United States, Canada and Cuba, 17 field research laboratories and 63 sales offices.



PUTTING THE WORLD IN HER MARKET BASKET

Did it ever occur to you that when a housewife strolls down the aisles of a modern market she practically takes a trip around the world?

Within her reach are the choicest fruits and vegetables grown in America, meat from a dozen states, fish from the seven seas, coffee from our good neighbors to the south, tea from the Orient and delicacies from both the New and Old Worlds.

These foods travel miles to her market basket, and are available irrespective of season. For example:

Her family can eat tomatoes, peas and sweet corn when snow covers much of the farmland where these crops are grown. They can enjoy spinach, beans and asparagus when the fields are bare and brown. They can enjoy apples, peaches, pears and cherries when there's not a sign of fruit on the trees.

A big share of this canned food that puts "the world in your market basket" 365 days a year is in Continental containers bearing famous names and brands that are your guarantee of quality. In addition to cans for food, Continental makes more than 500 sizes and styles of containers for products like oil, drugs, cosmetics, household conveniences and paints.

Everybody at Continental realizes that providing a dependable source of cans and other containers is a tremendous responsibility. And we will do our utmost to meet every demand for them in these critical times.

CONTINENTAL  **CAN COMPANY**
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STEEL PAILS AND DRUMS



CAPS AND CORK



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CROCKWARE

DeVILBISS**KEEPS CAR LOCKS WORKING SMOOTHLY**

Here's the nearest thing yet to a freezeproof car lock. Read how spraying helps! You'll find several cases, below, that prove IT PAYS TO SPRAY with DeVilbiss quality equipment. Let us show you how!

New silicones get top credit for this ingenious, all-weather lubrication of car locks—but spray guns play an important part, too! DeVilbiss automatic guns help by spraying the silicones into the locks on a conveyor line. Spray guns coat parts more thoroughly, penetrate better and use less material than other methods.

Versatile DeVilbiss spray equipment also gives most new cars their lustrous, durable finish; sanitizes moving vans; paints houses, gas bottles, and mirrors.

Let these cases spark an idea of how modern spraying can help you. Call us.

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Windsor, Ontario • London, England
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More amazing cases of product improvement through DEVILBISS services and spray equipment



Save money at home . . . or on a farm. Do a better job, too, using DeVilbiss spray equipment! By spraying paint, you can cut costs up to one-half, and cut painting time to as little as one-fourth.



Bottle refinishing jumped 400% for propane-gas refiner . . . from 250 to 1,000 units a day! Metal bottles are conveyed to a DeVilbiss booth, revolved, and automatically painted by 7 DeVilbiss guns.



Mirrors: DeVilbiss installation sprays lead oxide on backs of mirrors. Paid for itself in 6 months; saves the labor of 5 men! Lead oxide seals the backs of mirrors—keeps silver intact, lengthens mirror life.



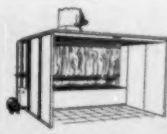
Movers and warehousemen use DeVilbiss guns to sanitize equipment. One mover sprays pads, vans with solution that keeps away germs, insects, mold, odors. Let us show you how you can profit.



Spray Guns



Air Compressors



Spray Booths



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FOR BETTER SERVICE, BUY

DEVILBISS

SPRAYING

EQUIPMENT





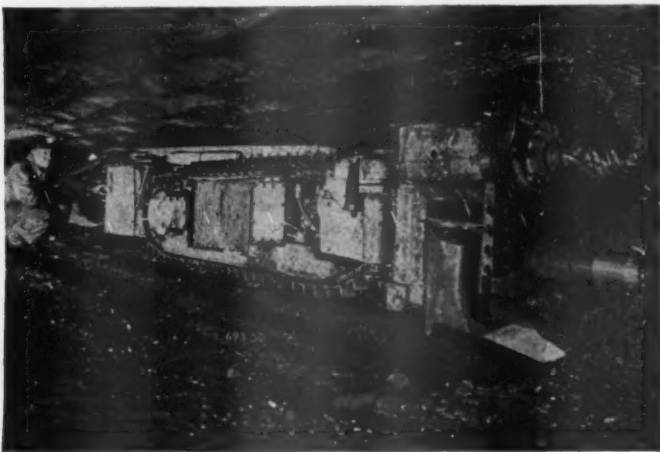
The Playboy Car

Of all the postwar small autos (Bobbi Car, Bantam, others), the Playboy seemed to many people the most likely to make a hit. Slickly styled with a rear engine, it was set to sell for \$985.

Playboy Motor Car Corp., Buffalo,

counted on an annual production of 100,000 by 1948.

But it was never able to raise the necessary cash. The company was finally liquidated last year. Total production: 97 cars.



The Colmol

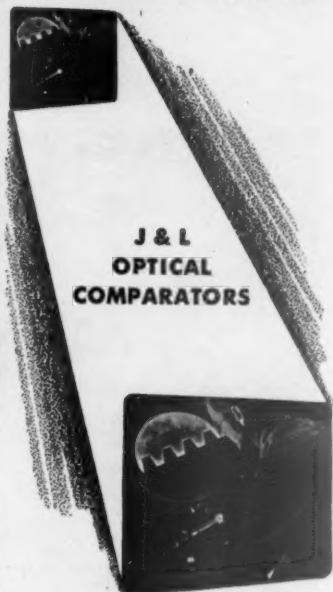
A "milestone" in mechanized mining was the Colmol, developed by Sunnyhill Coal Co. in 1948. A combined cutter-loader, it could move continuously into the face of a coal vein, dig out 3 tons to 5 tons a minute.

Sunnyhill contracted with Jeffrey Mfg. Co. to produce the machine, and the two formed Colmol Co. Last year

Sunnyhill sued Jeffrey, charging the manufacturer had never started full-scale production and had failed to live up to its contract. Two months ago the suit was settled; Jeffrey will manufacture and sell the machine under license.

The company has probably turned out approximately 25 Colmols so far.

For inspection that's
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The most intricate parts of your product can be inspected and measured to within .0001" in a matter of seconds—when magnified and sharply silhouetted on the Comparator screen.

The operator needs only minimum instruction to check every detail to any desired quality standard.

The J & L Comparator gives you swift, sure **QUALITY CONTROL**—throughout your production lines. Write for Catalog No. 402.

One of our eleven models will fit your needs.

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Comparator Division, Dept. 710-B
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REGIONS



'QUODDY VILLAGE, child of a New Deal tidal electric project, died with its parent. L. Grossman Sons, Inc., is bringing it to life.



SEABEE DRILL HALL would make fine plant. And Grossman will let you have space rent-free till your business gets on its feet.



LOANS as well as free rent were supplied by Grossman to get the Flanzbaums to start their plant. The result: a lot of new jobs.



LABOR in the 'Quoddy area is plentiful, cheap. Flanzbaum brothers examine shoes turned out in their plant by workers who never saw a shoe plant till they took these jobs.

Waking a Dead Town Pays Off All Around

Far up the Atlantic coastline where Maine meets Canada and near the city of Eastport is a cluster of some 240 buildings known as Passamaquoddy Village. Two years ago the village stood empty and cold, closed off from the world by a high iron fence. Today its houses shelter 63 families. And some of its buildings hum with industry, giving work and steady income to more than 100 men and women.

The U.S. government had built the village and let it die. Now a private company, L. Grossman Sons, Inc., of Quincy, Mass., is fanning it back to life. The job is far from done. There are 50 more homes to rent or sell and 250,000 sq. ft. of factory floor space to lease before 'Quoddy Village is filled to capacity. Grossman is determined to stick with it until it is.

• **Saga**—'Quoddy Village was built back in 1934 to house construction workers on the controversial Passamaquoddy

Dam project. The project was abandoned in 1936. During World War II 'Quoddy was converted to a Seabee camp and for a time housed over 4,000 men. War Assets Administration took title after the war, sold the property to Grossman in April, 1950.

Grossman paid a little over \$75,000 for what had cost the government well over \$2-million to build. The whole package, enclosed in 142 acres, includes 110 one-, two-, and four-family houses, two apartment houses that will hold 40 families each, a 200-bed hospital, a 50-office administration building, a chapel, a gymnasium, a fire house, wharves, a railroad siding, Quonset huts, and over 300,000 sq. ft. of floor space in a drill hall. Most of the buildings are suitable for industrial space.

• **The Region**—Need for new industry in the Eastport area is acute. Up to now Eastport has had one industry—sardine canning—and that operating

BE CONVINCED AT OUR EXPENSE!



MERCURY "JEEP" out-performs all others at 2000-lb. rating

Put the JEEP to work in your plant. Let your operators get the feel of its easy handling . . . its unusual maneuverability (right-angle stacks in a 9'-6" aisle with 48" load). Let your maintenance department see how simple it is to service the JEEP, with famous unit assembly. Make these tests of low-cost handling . . . at our expense. Write for Mercury's special 30-day demonstration plan.



MERCURY MANUFACTURING COMPANY
4146 S. HALSTED ST. • CHICAGO 9, ILL.



Locking mated couplings together so they won't get scrambled in stock bins is another quick, easy job for Bostitch "Hog-Ring" Pliers, reports a big West Coast manufacturer. His operators, who hurt their fingers when they tied these electric components with wire, also are enthusiastic about their new Bostitch fastening method.

Self-Feeding "Hog-Ring" Plier Speeds Up Fastening Jobs

Cuts costs of electric wiring, mattress-making, auto-seat covering, bag-sealing, parts-assembly, shipping, etc.

You can make more money, too, if your business calls for fastening cords, wires, fabrics together or to each other.

Doing these jobs better, faster and at lower cost comes naturally to this Bostitch P7 "Hog-Ring" Stapling Plier. As fast as you can

squeeze its easy-working handles, this self-feeding plier changes pre-formed staples with $\frac{1}{4}$ " openings into sturdy $\frac{1}{4}$ " rings.

It will pay you to learn how hundreds of electrical manufacturers, furniture makers, nurserymen, shippers, etc., have cut their fastening costs with Bostitch stapling machines. Get latest literature by mailing coupon . . . today.

INVESTIGATE THESE OTHER COST-CUTTING BOSTITCH STAPLING MACHINES



Bostitch H4 Stapling Hammer is 4 times as fast as hammer and nails.



Bostitch Autoclanch Stapler seals cartons on the inside entirely from the outside.



Bostitch T3 Stapling Tacker is twice as fast as hand tacking on hundreds of jobs.



Bostitch Wire Stitchers have speed and capacity for large production jobs.

Which of the 800 Bostitch models will cut your costs most? It costs you nothing to find out. 300 field men in 112 cities

in the U.S. and 11 cities in Canada give you nearby service. Fact-packed literature is yours for the asking. Use the coupon below today.

BOSTITCH, 708 Mechanic Street, Westerly, R. I.

Please rush me free literature on Bostitch P7 "Hog-Ring" Pliers. ☐ Also send literature which describes how other Bostitch machines can cut my fastening costs, make unskilled workers more productive, and provide me with a self-inspecting fastening method. ☐

I fasten the following materials:

Wood ☐ Paper ☐ Rubber ☐ Plastics ☐ Fabrics ☐ Leather ☐ Light Metals ☐

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Firm

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"... need for new industry in the area is acute ..."

REGIONS starts on p. 96

only from July through October. Men and women come into Eastport from miles around to the seven canning plants. They may pick up \$500 to \$1,000 apiece during the season. Then they must count on unemployment compensation for 13 weeks plus the produce of a few chickens, a small garden, and their skill as fishermen and hunters to keep them alive for the remainder of the year. Maine's Employment Security Commission estimates that there are over 4,000 unemployed in the Eastport and Calais area during three seasons of the year.

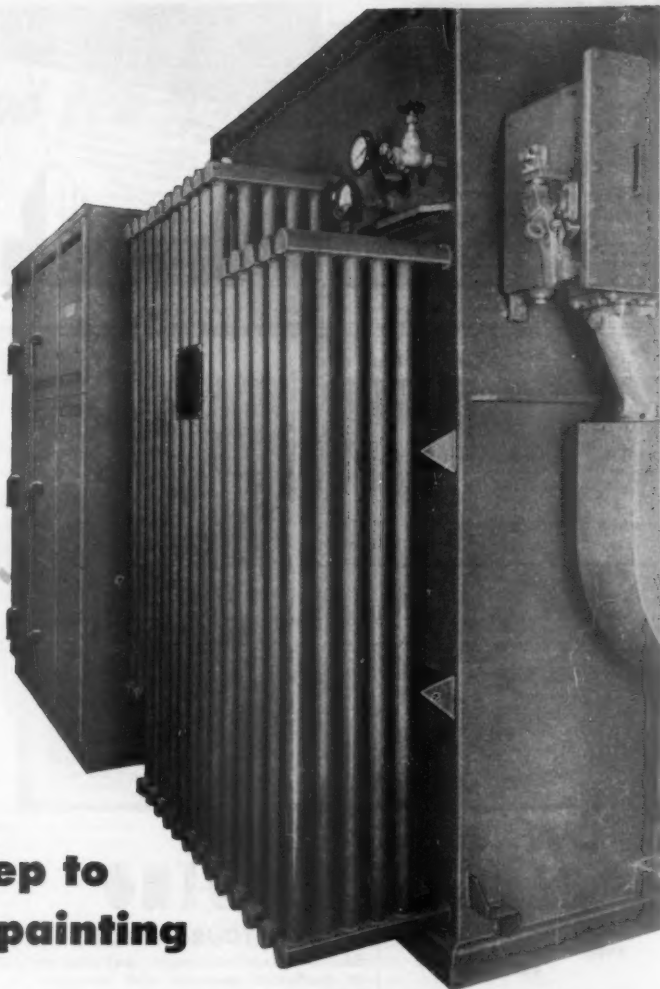
Population has shrunk appreciably during the last 10 years as people left the destitute area in search of jobs. From 1940 to 1950 Eastport dropped from 3,346 to 3,123 and Calais from 5,161 to 4,589. But most of the people who have left still hold property in the area, and it is known that they would be eager to return if they could find year-round jobs.

• **Jobs**—That is what Grossman is trying to get them. The company is offering the strongest kind of inducements to industry to move into 'Quoddy Village. Free rent until a new industry gets on a paying basis is one of Grossman's offers. In one case, it has gone even further and loaned a manufacturer the cash he needed to set himself up.

So far, Grossman has got four employers into 'Quoddy. Together, they work more than 100 people and pay them more than \$4,000 a week. These companies are: the Eastport Division of Saco-Moc Shoe Co. in Portland, Passamaquoddy (not Passamaquoddy) Shoe Co., Eastport Chemical Co., and 'Quoddy Metal Shop. This week a new industry, Maine Wood Products Co., is moving into town.

• **Helping Hand**—The story of Passamaquoddy Shoe Co.'s experience in the village is a good example of how eager both Grossman and the town of Eastport are to get new industries located there. The company was formed by Benson and Richard Flanzbaum, 25- and 24-year-old sons of a shoe manufacturer in Boston. After learning the trade with their father, they decided to go off on their own. 'Quoddy offered a start-low on cash demands if high on risk. Grossman guaranteed the brothers two years' free rent for the floor of what was once a large dormitory and then loaned them \$15,000 to help buy machinery. When the equipment arrived last December, a group of Eastport townspeople volunteered their work for two weeks to set up the

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"... five-room homes for as little as \$13.34 a month ..."

REGIONS starts on p. 96

shop. Merchants of Eastport contributed a fund of \$600 to pay for labor that the boys couldn't get free.

That was eight weeks ago. It took four weeks to get set up for production. Today output is up to 300 pairs of shoes a day, and the Flanzbaums expect to jack it up to 600 pairs soon. The thing that amazes them is that, before eight weeks ago, not one of their employees ever saw the inside of a shoe plant.

Father Flanzbaum is reported to be so pleased with the experience his sons have had in 'Quoddy that he himself is considering moving his whole Boston operation, less workers, there.

• **Luring the Big Ones**—So far, Grossman has attracted only light industry to the village. There are facilities for heavy industry, though, and the company would like to bring it in. The prize property is a 100-ft. by 600-ft. drill hall built by the Seabees and named for Admiral Ben Morell, one-time head of the Seabees, now chairman of Jones & Laughlin Steel Co.

In the event a big industry moves in, its workers will enjoy an ideal housing situation. One-family homes sell for as low as \$2,200 including the lot—no money down and 20 years to pay. A few five-room houses have sold for as little as \$13.34 a month.

• **Profit for All**—Industrial development of properties such as 'Quoddy Village is nothing new to Grossman Sons. Not since the early 1920s has the company demolished any of the properties it has bought.

This is more than philanthropy; it's sound business as well. In the case of 'Quoddy, Sid Grossman figures that, if he turned around quick and sold it for scrap, he might double his \$75,000 investment. But Grossman prefers to play the long run. The 140 houses in 'Quoddy are worth maybe \$1,000 apiece as scrap. But bring industry in, and with it people who need places to live, and the houses are worth up to \$3,000. The same applies to plant buildings, stores, and the like. Altogether, Grossman may pull around \$300,000 out of 'Quoddy before he's finished.

• **Limerick**—Just before 'Quoddy, Grossman was involved in the revitalization of another village—Limerick, Me., near Portland. This was a company town built many years ago by Limerick Yarn Co. In 1945 Limerick Yarn joined the procession of textile companies moving out of New England. It abandoned its plant—and the 800 people who worked there.

Grossman acquired the plant by auc-

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tion in 1948 along with an inn, a tavern, a theater, a lunchroom, a clubhouse, and 54 one-family houses. The company has leased all 200,000 sq. ft. of the factory to General Electric Co. with an option to buy.

Here again, Grossman proved to have a smart business head. When the company bought Limerick, the 54 houses were going begging for \$3,500 to \$4,000. But when GE and its workers moved in, Grossman was able to mark the houses up to \$4,500 and \$5,500. It sold the lot of them in 120 days.

• **Old Hand**—The first operation of this kind that Grossman engaged in was the Simon Lake Torpedo Boat facilities in Bridgeport, Conn., which it bought in 1922. It hired maintenance crews to keep up the properties until they were sold a year later in top condition.

The depression hit New England towns harder than most because many of them were one- or two-industry towns. Grossman softened the blow. Between 1930 and 1940 the company bid successfully on more than 15 major industrial properties—textile mills, foundries, furniture factories, and chemical plants. In every instance, Grossman kept the plant intact, often investing large sums in upkeep and advertising for replacement industry, finally restoring the facility to useful work.

• **Big Operator**—The business of reviving industrial properties is actually just a sideline for Grossman Sons. During the more than 50 years that the Grossman family has been in business, it has built its retail and wholesale building supply and lumber operation into the largest in New England—maintaining 17 yards and stores throughout the region; it has gone into housing, offering a build-it-yourself plan; it has developed a modern park-and-shop area in downtown Quincy; and just after World War II it organized Quincy-Grossman Surplus Co. (BW—Feb. 9 '52, p72), which has become the largest purchaser of war surplus materials in New England.

• **Sweat Equity**—Grossman's low-cost homes plan grew naturally out of the company's building materials business. Figuring that a person who had "sweat equity" in a building was a good risk for a mortgage, Sid Grossman hit on the plan of providing complete plans for building a low-cost home, providing all necessary materials and instruction and then letting his customer do his own building.

Since it began this program in 1948, Grossman has sold over 1,200 of these homes—at an average materials cost between \$4,000 and \$5,000 each. The company itself carries a portfolio of over \$5-million worth of mortgages.

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Northern Michigan Hopes for Better Days

While Michigan as a whole was busy piling up industrial wealth during the past half-century, its upper peninsula, already physically cut off by Lake Michigan and the Straits of Mackinac, looked more and more like an orphan.

For 30 years now, tourist trade is about all the peninsula has had to cling to for its economic existence. Long before that the region's once-rich timber, copper, and iron ore resources began to play out. By the end of the 1800s they were stripped practically bare. Transportation difficulties, on top of the geographic distance from markets, worsened matters. Labor just about deserted the peninsula for the greener industrial fields of lower Michigan.

Now, it begins to look as though things may be different. With the government spurring a tremendous program to get minerals out of the ground (BW-Mar. 1 '52, p19), the upper peninsula has high hopes of making a comeback. Michigan's Economic Development Commission, taking a hand to pull the peninsula back up on its industrial feet, hopes for a revival of the has-been mining operations. And that may attract other industry to the area as well.

• **Shades of Dan'l Boone**—Vast areas of wild, primitive country are the region's one resource that didn't peter out.

Hundreds of lakes and small, swift streams make the upper peninsula a fisherman's paradise. Hunters flock to its woodlands, where for miles the only signs of life are occasional trappers' cabins, overgrown with moss and inhabited only by porcupines, snowshoe rabbits, and wild deer most of the year.

The tourist trade with its seasonal fluctuations, though, is not enough to sustain the upper peninsula's dwindling population; unemployment is an acute problem. The upper peninsula people, mostly of hardworking Scandinavian, French, and Finnish stock, are eager for industry to move in, will pitch in and work hard to maintain it.

• **Happier Days**—The story of what happened to the region's once-flourishing industry is one of boom to near-bust. During most of the 19th Century its copper and iron resources largely supported the area. They made it one of the most prosperous parts of the state.

From the 1850s until the mid-1880s, lumbering flourished, too. Mills and towns sprang up around the vast tracts of good quality virgin timber. Port cities like Escanaba and Menominee flourished.

• **Turning Point**—Around the 1890s, the resources began to peter out. Then

small lumbering and mining operations closed down; bigger ones cut production and employment. Boom towns turned into ghost towns.

• **Just an Echo**—The first world war, with its scarcities of copper and iron ore, gave the region a breathing spell. But the respite was short lived. Some mining operations did manage to straggle on till the early 1930s. But the depression all but knocked industry out of the peninsula entirely.

As the region's industry slid downhill, so did its population. Even in World War II, when scarcities of copper and steel once more reopened long-idle mines, the outflow didn't stop. After the war, population kept on dropping—down 7%, against a 20% increase for the state as a whole. Most of the decline is in the copper counties of the northwest; tourist traffic sustains the eastern half.

• **Boom or Bust?**—But the big bust anticipated after World War II hasn't hit the upper peninsula yet. The Economic Development Commission is determined to put it off as long as possible—maybe forever. It's using the lag to take stock of the new mining possibilities, which it hopes will tip the scale on the side of prosperity.

The commission splits the peninsula

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This job involved lifting and setting twelve 6' thick precast concrete wall panels into vertical position on edge of concrete foundation. Bee-Cee eliminates high hand-labor costs of laying walls with concrete blocks—pours whole wall panels at one time, on-the-spot, in individual molds.

Using Tournacrane exclusively for all lifting, spotting and placing, they found it superior to other types of cranes previously used. As Leonard Borisof, Bee-Cee partner puts it, "I started saving money and time when I got Tournacrane on the job."

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into three main areas. Here are the prospects it sees for each:

- **Iron ore area:** Government and private experiments with beneficiation and other methods of extracting iron from the leaner ores has given great hope to the four southwestern counties. M. A. Hanna Co., of Cleveland has already built an experimental beneficiation plant at Randville; it could lead to building a multimillion-dollar plant in the area. Ford Motor Co. and Cleveland Cliffs Iron Co. are experimenting in the region, too.

- **One thing that will help the ore industry:** The peninsula already has a strong framework for transporting iron ore and concentrates. In 1949 more than 11.5-million tons of cargo were handled through the lake ports of Escanaba, Presque Isle, Manistique, and a dozen others. The bulk of it was iron ore and concentrates.

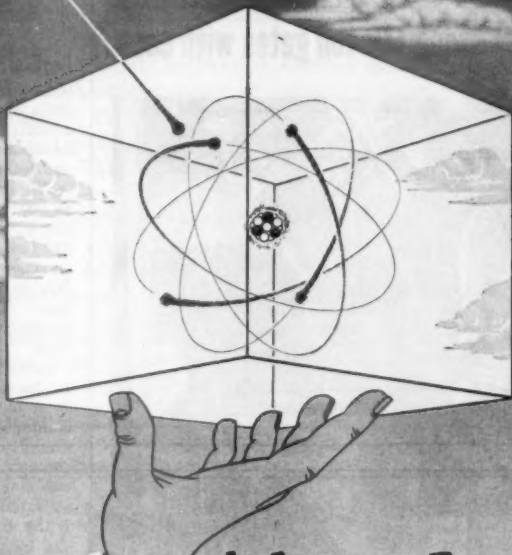
- **Copper area:** The upper peninsula's northwest is breathless over the possibility that copper may once more become a great source of strength and income. A new mine area is being developed—18 miles southwest of Ontonagon—by White Pine Copper Co., on a \$57-million loan from the Reconstruction Finance Corp. White Pine, a subsidiary of Copper Range Co., Boston, says the ore is good grade, with copper content of 1.1%. It plans to take out 70-million lb. a year.

The mine probably won't operate for another two or three years. But in the meantime White Pine will build an entire town in the area to house about 1,000 workers. Then there's the possible deepening of the Ontonagon harbor and other satellite activity, which will tide the area over.

There's another employment prospect for the copper region, too. Over-ceiling prices have been authorized for four mines in Keweenaw County, expected to produce 1-million lb. of copper a month. This will keep the mines open at least through the copper-scarcity period.

- **Lumber area:** The commission considers the lumber industry in the eastern, logging area of the upper peninsula a lost cause, at least for the time being. Nearly all the big stands of virgin timber are gone; early loggers just about swept the forests clean of commercial timber. The comparatively few far-sighted loggers who did any replanting began their conservation efforts too late and on too small a scale. Reforestation is a long-term thing, and a flourishing lumber industry is not in the cards for some time to come.

- **Drawbacks—**Even with the new developments in the mining industry, however, the peninsula has problems that will make it especially difficult to lure industry all the way across the lake. Most serious are the region's lack of



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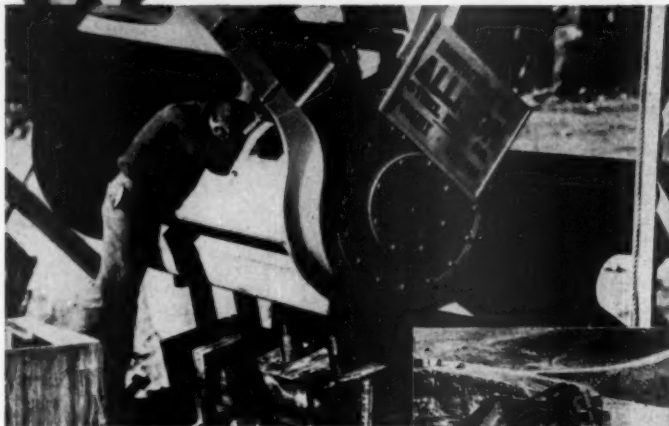


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Each gate arm pivots on two SKF Spherical Roller Bearings, each of which can support an 800,000-pound Radial load—the kind of heavy-duty for which SKF Sphericals are ideal—that's real engineering, too.

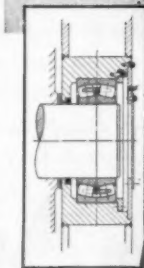
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WHY SKF IS preferred BY ALL INDUSTRY product uniformity
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manpower, scarcity of industrial fuel, distance from markets, and poor transportation.

Much of the population that remains in the peninsula has no industrial experience to speak of; the experienced joined the migration to the industrial cities in lower Michigan, such as Detroit. There's one outweighing factor, though. That's the general attitude of the worker in the peninsula. Companies that have located there say that efficiency is unusually high—that the worker has a different concept of a fair day's work than workers in most of the country. One study made in Iron Mountain found efficiency topped that in Milwaukee by 10% to 15%.

• **No Power**—Heavy industry is likely to continue to spurn northern Michigan until some source of industrial fuel can be found. There is no coal supply anywhere near the upper peninsula. Nor is there any big natural gas pipeline. The Economic Development Commission, however, sees one ray of hope. Right now Canada is planning a natural gasline from western Canada to the east, along the desolate north shore of Lake Superior. The Michigan commission hopes to persuade the Canadians to relocate their pipeline through the upper peninsula. At least one company—Calumet & Hecla Consolidated Copper Co.—has said that if the Canadian pipeline were put in the upper peninsula, thereby offering natural gas at a modest price, it could operate marginal mines which it can't now.

• **Sore Spot**—One problem has no apparent solution. That's the upper peninsula's geographic distance from markets.

What makes matters worse is the lack of direct communication with the lower peninsula. Four railroads service the upper peninsula, making one or two runs a day. The only transportation across the Straits of Mackinac, which split the state into two peninsulas, is a 50-min. ferry ride. The solution here would be a bridge. But the Michigan legislature has been reluctant to appropriate the \$87-million it says it would cost.

• **Drawing Card**—But the Economic Development Commission is pinning its hopes on the outstanding efficiency of the workers to counter-balance the transportation problems. Already it has proved to be a big drawing card. Take the case of Grede Foundries, Inc., of Milwaukee. Grede recently set up a branch at Iron Mountain. It estimated that it would cost some \$76,000 to bring in raw materials to its upper peninsula plant, another \$66,000 to bring the product to market. But Grede still figured that these charges were worth while because of the higher manpower efficiency of the area.

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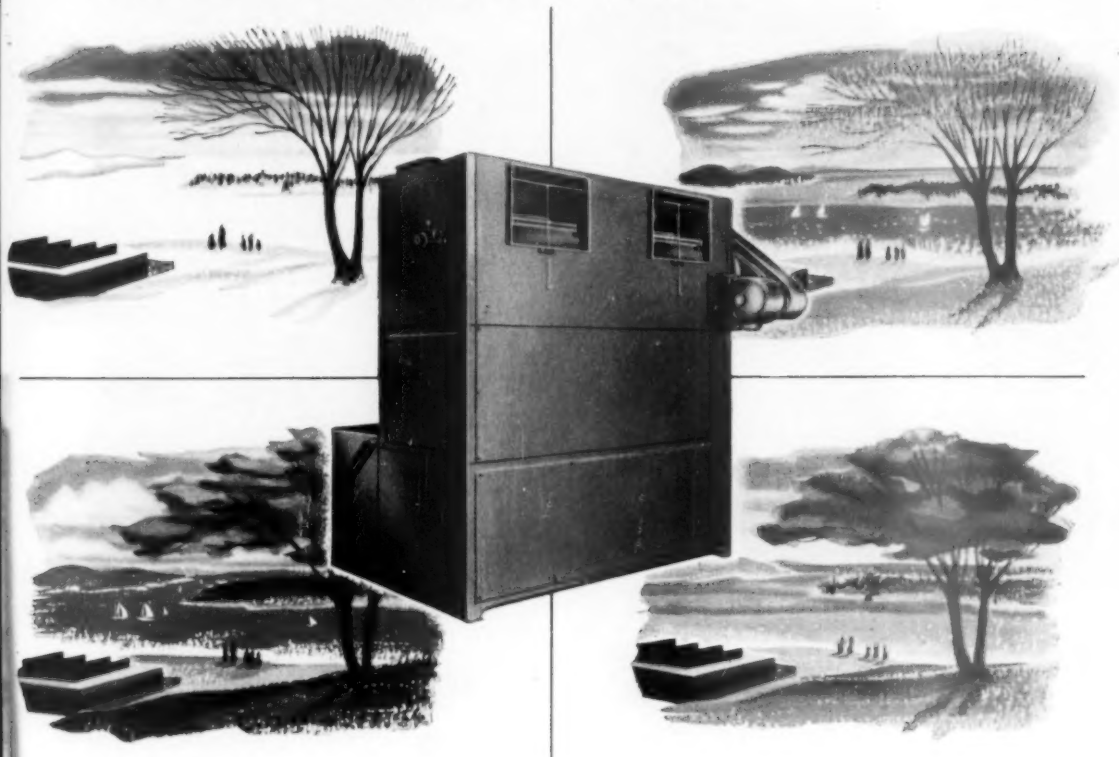
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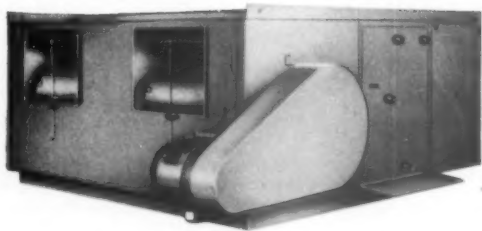
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Three types are available: the Type A Conditioner for normal unitary type applications, the Type S Conditioner for unitary type application where washed air or high relative humidities are required, the Type M Conditioner for central system installation.

For data, consult the nearest American Blower Branch Office.

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Division of AMERICAN RADIATOR & Standard Sanitary CORPORATION



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"... It wasn't the first time that United had dunked a pipeline ..."

UTILITIES starts on p. 110

had made more profits than in the year before. That was after taxes, too. Net income for the year amounted to \$18,312,946, an increase over 1950 of \$1,585,508.

• **More Expansion**—Stockholders also learned that the expansion program was really rolling and may be completed by the middle of 1952. Tucked in a pocket on the back cover of the annual report was a jumbo map—35 in. by 45 in.—that showed United's system as it was before the expansion program began and what is being added. United had more than 17,000 mi. of transmission, field, and distribution lines before its latest spurge.

Now it is adding more than 1,700 mi. of 6-in. to 30-in. transmission lines. The biggest chunk of the new mileage is being built as a grid over the present system. That will make facilities more flexible in serving customers in Texas, Louisiana, and Mississippi, southern Alabama, and northwestern Florida—what United calls the Gulf South. It will also tap more natural gas reserves. And it will, of course, step up the capacity for moving the gas around.

• **In the Sea**—Perhaps the most ambitious part of the program was the laying of an underwater pipeline into the Gulf of Mexico. The purpose is to pull in gas from the offshore fields in the Gulf below Louisiana from two drilling platforms: One section of 20-in. pipe runs out to a Pure Oil Co. drilling platform, and another section of 14-in. stretches another 10 mi. to a Magnolia Petroleum Co. drilling platform. This submarine pipeline began moving gas in October and is now delivering to existing United Gas lines in the Jackson (Miss.) area.

This wasn't the first time that United had dunked a pipeline. It made history a decade ago when it laid 25 mi. of pipe through Lake Pontchartrain. But this time it was different. Engineers had to take into account the wave action and currents in the Gulf; they had to know what was on and under the floor. So scientists of the Dept. of Oceanography of Texas A&M College were called in to supervise studies of the Gulf waters. Armed with this information, the engineers were able to write the specifications for pipe and equipment. They also could then work out the special pipe-laying techniques.

• **Found a Way**—It was determined that no ordinary pipe had walls strong enough to handle the high pressures



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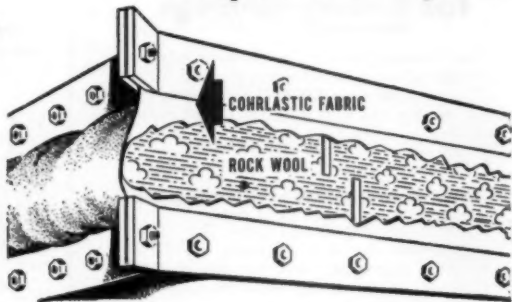
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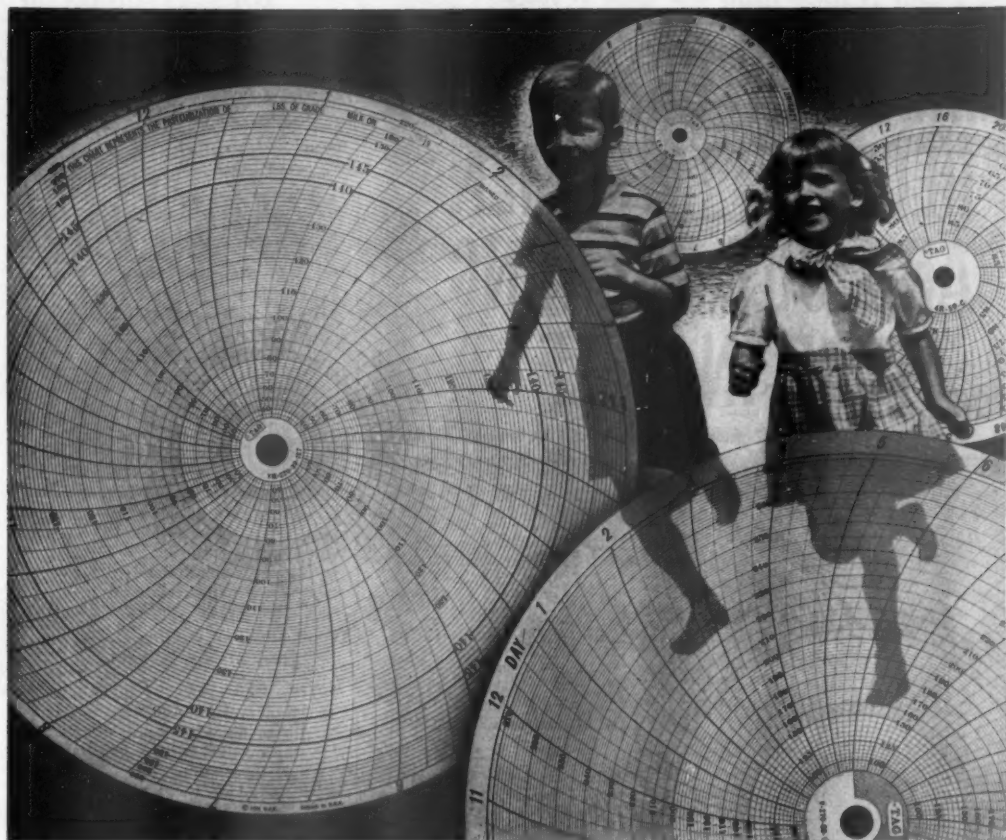
and stand the beating it would have to take on the floor of the Gulf. A. O. Smith Corp. solved that problem for them. Smith figured out a way to wrap steel plate around standard pipe, giving the pipe extra strength with walls $\frac{3}{4}$ in. thick. This is given a coating of rust-resisting material $\frac{3}{8}$ in. thick and topped by a 1-in. outer-covering of reinforced concrete.

• **In the Air**—This week United had almost finished another project. Four of the five spectacular overhead river crossings included in the program were in final stages of completion. The term "overhead crossing" makes the job sound simple. But it isn't, because suspension bridges have to be built to carry the pipeline across the river.

In addition to laying pipe in the sea and in the air, United also is doing the more humdrum type of pipe-laying in the ground. Contractors have already completed about 120 mi. of the 500-mi. section of the grid running from Agua Dulce, Tex., to Monroe, La. Some other parts of the grid are already in operation. Still another completed project brings gas from fields in the Plaquemines Parish in southeastern Louisiana to the New Orleans area. The line going from Jackson, Miss., to Kosciusko, the terminus of a line of the Texas Eastern Transmission Co., should be ready about Mar. 15.

• **More Juice**—All of the expansion program isn't pipe-laying either. United is adding 63,000 hp. at new and existing compressor stations and will build 10 new dehydration plants. A new 8,000-hp. station near Verna, Miss., goes into service this month. Five others will be ready for the harness in April, three more in May.

When the whole job is finished, the maximum delivery capacity of the



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How many places in this world would you purchase a bottle of milk and consume it *without any concern as to its purity* . . . or canned goods, or frozen foods? The fact that we do so 'most every day is a great tribute to our food industries.

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struments developed by Weston-TAG, ride with the load and continuously chart exact temperatures. These charts furnish *proof positive* that the food *stayed frozen* every mile of the way.

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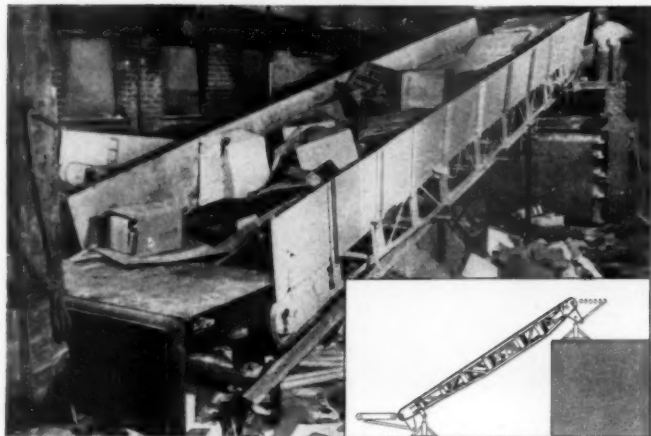


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UTILITIES starts on p. 110

United system will be increased from 3-billion cu. ft. to nearly 4-billion cu. ft. a day. That will enable United to lift its natural gas sales up and over a trillion cu. ft. in a year.

• **Financing**—The last step to finance the huge program costing a total of \$181-million was taken Feb. 5. On that day an issue of \$50-million principal amount of first mortgage and collateral trust bonds was sold in approximately an hour's time in a public offering.

The year before, another \$50-million bond issue was sold, and about \$18-million was picked up from the exercise of rights issued to stockholders to purchase additional shares. Approximately \$26-million was available from retained earnings, and the remainder was provided by bank loans.

• **Converted South'ner**—Spark plug of United's current expansion is N. C. McGowen (cover), a transplanted Middle Westerner who today is as proud of the South as any Confederate colonel ever was. He came to Shreveport in 1913 as a young man to audit the books of the oil and gas properties owned by the Potter Palmer interests of Chicago. He stayed on to become general manager of these properties. When they were consolidated with about 40 others in 1930 under the Electric Bond & Share holding company, McGowen was the one picked to be president of the operating subsidiaries of newly formed United Gas Corp. He became company president in 1944. Last month he rounded out 38 years of continuous service with United and its predecessor companies.

McGowen has seen operating revenues move up from \$25-million to \$125-million in 20 years' time. Always, the biggest share came from the natural gas business.

In 1951 approximately \$89-million of the \$125-million was gas business. The company took in \$14-million from sales of gasoline, \$16-million from crude oil, and \$4-million from sulfur.

In recent years United has poured a few million dollars into Carthage Hydrocol, Inc., which manufactures gasoline from natural gas at a plant in Brownsville, Tex. This ultimately may be the route United will take into chemicals. Certainly, the processes being perfected at this plant may well lead to tremendous increased uses of natural gas. And McGowen wants in on all such developments in his Gulf South bailiwick.

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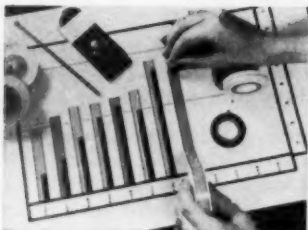
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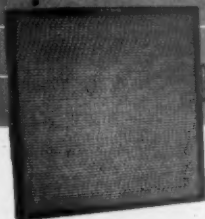
convert your kitchen into a darkroom—when your wife isn't looking. Exhibit went over big, at least with teenagers.



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TAXES

Five Tax-Saving Ways to Do Business Abroad

- 1** Corporation organized in a foreign country doing business abroad.
- 2** Corporation organized in U. S. to do at least 95% of its business abroad.
- 3** Corporation organized in U. S. to do business elsewhere in the Western Hemisphere.
- 4** Corporation organized in U. S. doing business in certain U. S. possessions.
- 5** Corporation organized in U.S. under China Trade Act to do business in China.

Cashing In on Foreign Trade

The growth of private U.S. investments abroad—from \$124-billion to more than \$19-billion in the past 10 years—has highlighted the income tax advantages of foreign trade. This growth is likely to continue under the impetus given by Economic Cooperation Administration and Mutual Security Agency projects for spending billions of dollars in European recovery. Many U.S. manufacturers have turned from exclusively domestic trade to selling their products abroad.

There are at least six possible ways to organize for doing business in foreign countries. One, of course, is to use your own existing company, but the company then pays tax on income from business abroad, just as it does on any other income. There are five other types of company that you can use. In each case, the income tax law offers certain concessions.

I. Organized Abroad

Companies in the first group are organized outside the U.S., to do business anywhere in the world. They may be entirely separate companies or sub-

sidaries of U.S. companies. If you set up such a company, you pay no U.S. tax on income from the foreign business.

To get the exemption, the sale of goods must be made in a foreign country. Present rule: The sale is actually made at the place where the seller surrenders all right, title, and interest to the buyer.

Sometimes a seller retains bare legal title, perhaps as security for payment; in that case, the sale is held to occur at the moment and at the place where "the beneficial ownership" and the risk of loss shifts to the buyer.

• **Allocating Income**—When you can arrange to have an article both manufactured and sold outside the U.S., of course you have no income from U.S. sources. But when manufacturing or processing is done in one country and selling in another, you must allocate income to each source according to BIR rules.

Companies that qualify in this group are not subject to a tax for unreasonable accumulations of income.

• **Subsidiaries**—Where a company in this group is a subsidiary of a domestic

corporation, dividends received by the parent company aren't subject to excess profits tax; they're counted only for normal tax and surtax.

Foreign taxes paid by the subsidiary may be claimed by the parent corporation as a credit against United States taxes, if the parent company owns 10% or more of the foreign company's voting stock.

Taxes paid to the foreign country are credited against U.S. taxes in the same proportion as the amount of dividends bears to the amount of profits, also figuring the percentage of ownership. A similar allowance is made when a foreign subsidiary owns at least half the voting stock of another foreign subsidiary that pays a foreign income tax.

II. Trading Mostly Abroad

Companies in the second group are U.S. corporations that do virtually all their business abroad. Like other domestic corporations, they are liable for normal tax and surtax and for the penalty tax on unreasonable accumulation of earnings. But they are exempt from the excess profits tax, unless the foreign earnings are included in a consolidated tax return.

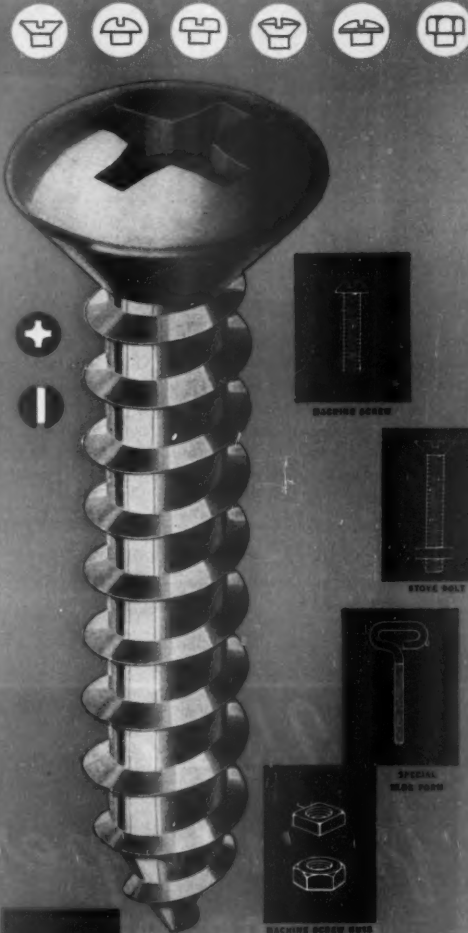
To qualify, a corporation must have derived 95% or more of its gross income from sources outside the U.S. for the past three years (or since incorporation, if it's less than three years old) and must also have derived 50% or more of the gross income in that period from the active conduct of a trade or business (as distinguished from security income and the like). Dividends received by the parent from such a corporation are exempt from excess profits tax, and only 15% of the dividends is subject to normal tax and surtax.

• **Foreign Tax Credit**—Companies in this group are also entitled to credit for taxes paid to foreign countries. They may elect to deduct as a cost the foreign income tax, war profits tax, or excess profits tax, or they may take it as a credit against U.S. taxes.

One method may result in a lower over-all tax liability than the other. You can choose each year between the two methods, and you can even change your election for the current year if you find it advantageous to do so.

If you claim credit for foreign taxes, there's a limitation on the amount, based on the proportion of foreign income to the total income of the corporation.

This limitation doesn't apply when you are taking them as a deduction instead of the credit. The deduction is also preferable when there is a net loss. It increases the carryover loss that can be applied to previous and



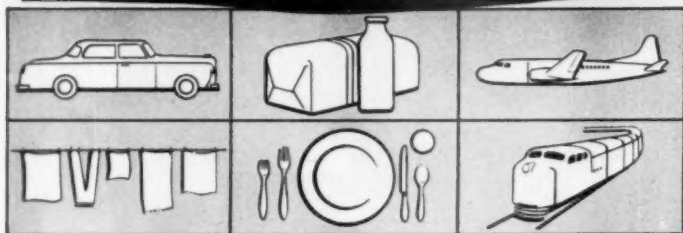
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subsequent income; a credit in a loss year would be wasted, since there'd be no tax against which to apply it.

III. Western Hemisphere

Companies in the third group are the Western Hemisphere trade corporations. They get a flat 27% off before computing normal tax and surtax; they aren't subject to excess profits tax.

To qualify in this group, you have to meet the same 95% foreign business test as the second group does, but 90% or more of gross income must come from active conduct of a trade or business, instead of a 50% minimum. And all your business must be done within the Western Hemisphere.

• **Need New Company**—In view of the 95% yardstick for Groups 2 and 3, the only way most U.S. domestic-trading companies can qualify is by setting up new corporations to engage in the foreign trade. You have to be careful about the relationship of parent and subsidiary.

BIR frowns on booking sales among such companies at prices out of line with prices charged to other buyers. You can't vary these parent-subsidiary prices in relation to profits. It's usually best to set up parts of the enterprise as separate entities, each paying its own expenses and assuming a fair share of joint costs, such as administrative overhead.

You can still make special terms in selling to affiliates if you have good reason, such as feasibility of a narrower margin; because credit risk and unreasonable returns of merchandise are eliminated.

Group 3 companies get credit for foreign taxes paid and can be included in consolidated tax returns (though this costs them their exemption from excess profits tax). Their dividends are free from excess profits tax to their parent companies; 15% of these dividends are subject to normal tax and surtax. The companies cannot unreasonably accumulate earnings without risking additional tax.

IV. U.S. Possessions

A company that qualifies in Group 2 or Group 3 may also qualify in Group 4. And that may be an advantage. Group 4 companies are domestic corporations that do most of their business in one U.S. possession. They pay tax only on income from sources located in the U.S. and on amounts received in the U.S.

To qualify, a company must derive at least 80% of gross income from a single U.S. possession over the past three years, and 50% of more of gross income must come from active conduct of a business or trade within that pos-

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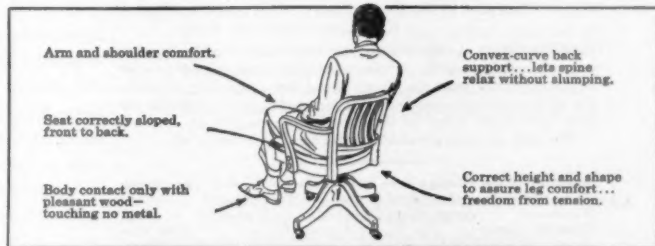
One reason is that his chair works with him, keeps his body "at ease," his mind at "attention" all day, helps him to make full use of time, the most critical factor in business today.

Shaw-Walker has specially "time-engineered" correct, back-supporting chairs for all manner of office work. Solid, handsome chairs that mean more comfort every working minute—more work accomplished each working hour.

Only after fifty years of active experience and scientific research could Shaw-Walker bring you chairs such as these. There's a lifetime of comfort and wear built into every one.

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If you are setting up a new business or merely wish to modernize worn, outdated offices, make sure you use Shaw-Walker equipment throughout. It will help you make the most of every minute, every working day.



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COMMONWEALTH EDISON COMPANY
PUBLIC SERVICE COMPANY OF NORTHERN ILLINOIS

" . . . discussion of China trade is purely academic under present conditions there . . . "

TAXES starts on p. 120

session. Possessions on the list are only: Puerto Rico, Canal Zone, Guam, American Samoa, Wake, Midway, Johnson Islands, and several other small island groups in the Pacific.

• **Choices**—A Group 4 company can also qualify in Group 3 if 80% of its gross earnings comes from Puerto Rico or the Canal Zone and an additional 15% comes from either of those possessions or any other Western Hemisphere country except the U.S. Then all income from the 80% possession would be free from all U.S. taxes, and the balance of income would be reduced 27% before computing normal tax and surtax.

To fit in Group 4, a company must get 80% of gross income from only one possession, but the added 15% requirement to put it also in Group 3 can be made up of income from several countries.

A Group 4 company can also qualify under Group 2 if 95% of its earnings comes from one possession, or if at least 80% comes from one possession and another 15% comes from any other foreign countries.

For example, if 80% of your income comes from Guam and 20% comes from the U.S., 80% is exempt from all taxes, and 20% is subject to all taxes. But if 80% comes from Guam and 20% comes from Japan, 80% is still exempt from all taxes, and the other 20% escapes excess profits tax.

• **Cans and Can'ts**—Corporations qualifying in Group 4 can accumulate income from the possessions without risking tax for unreasonable accumulations. They can get for their domestic parent corporations the same foreign tax credit as in Group 1. Their dividends to parent corporations aren't subject to excess profits tax, though they're taxed in full for normal tax and surtax purposes. Such companies can't be included in a consolidated tax return.

V. China Trade

Group 5 companies are set up under special legislation for the China trade. Net income derived from China is credited against net income for normal tax and surtax. All foreign companies doing business in China are subject to Chinese laws, now that extra-territoriality has been abolished. But discussion of business operations in China is academic with conditions what they are there now.



AS A SHAFT . . . Rollpin serves as an axle for the sparkwheel of a cigarette lighter. No riveting or threading necessary . . . faster assembly. Note flush, clean fit.



AS A DOWEL . . . Rollpin is used here to prevent rotation of a thrust bearing. No reaming, no special locking. Easily removed. Lowest possible dowel pin cost.



AS A CLEVIS PIN . . . here Rollpin holds firmly in clevis, permits free action of moving member. Rollpin application above is with the plate of a home workshop tool.



AS A KEY . . . Rollpin demonstrates its ability to do away with precision tolerances, in this heating system damper arm. Faster, cheaper and more satisfactory than usual assemblies.



AS A STOP PIN . . . in this application, Rollpin is shown in a ratchet wrench adaptor. With its light weight and high shear strength, Rollpin functions perfectly . . . cuts assembly costs.



AS A SIMPLE FASTENER . . . Rollpin replaces a set screw in pinning a gear to a shaft. Assembly time is shorter, service life longer. Vibration-proof flush fit. Easily removable.

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Rollpin is a pressed-fit pin with chamfered ends. It drives easily into holes drilled to normal tolerances, compressing as driven. No reaming, no tapering, no extra assembly steps required. Rollpin fits flush, locked in place by the constant pressure it exerts against the hole walls. Can be inserted with automatic press, or by hand—removable with a drift or pin punch.

Rollpin is reusable again and again.

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are another ESNA product*



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Section R1-319, Elastic Stop Nut Corporation of America
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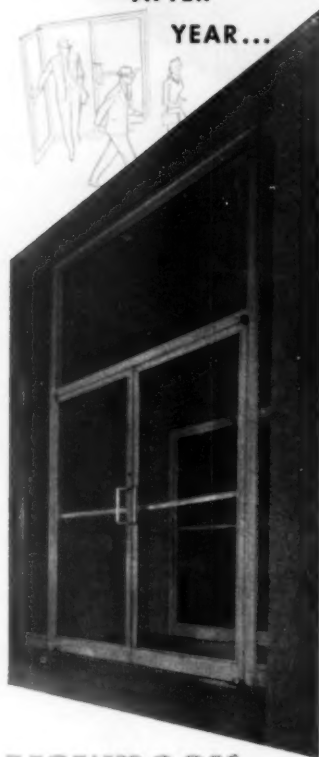
- ☐ Rollpin bulletin and sample Rollpins ☐ AN-ESNA conversion chart
☐ Elastic Stop Nut Bulletin ☐ Here is a drawing of our product.
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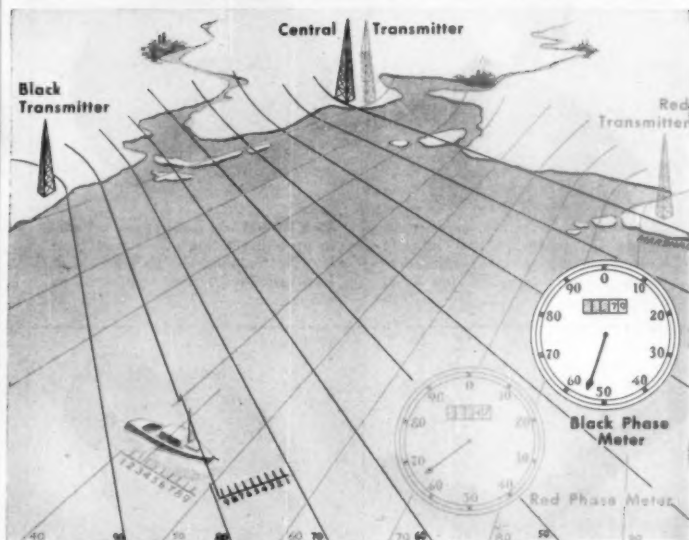
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PETROLEUM



HOW IT WORKS Radio impulses sent out by the LORAC transmitters form an invisible grid over the sea. The boat picks up the impulses, and its meters register the exact location of the craft, by measuring relative distances from the transmitters. Tests have shown accuracy within 50 ft. for craft up to 100 mi. at sea. Weather doesn't affect the accuracy.

LORAC Marks the Spot

The old fisherman explained why he could always find his way back to a good fishing spot. "It's easy," he said. "I just find where the fish are, then cut a notch on the side of the boat to mark the spot."

Now science has managed to duplicate the fisherman's results. The diagrams above illustrate this modern substitute for boat carving. With it, a boat can return to an exact spot regardless of weather or shifting tides.

• **Accuracy**—The electronic method is a little expensive for fishing. But it's wonderful for helping in the hunt for underwater oil fields. In fact, it was developed by Seismograph Service Corp., a Tulsa (Okla.) company that specializes in the scientific ferreting out of oil. SSC calls its equipment LORAC (Long Range Accuracy).

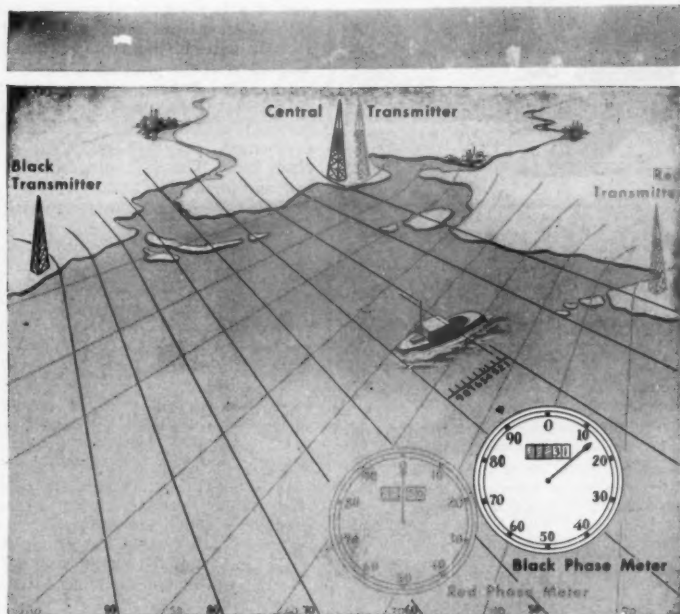
In a very general way, LORAC is a refinement of LORAN, a World War II gadget that enabled ships to rendezvous at sea regardless of navigational difficulties. Both systems take off from the fact that electronic impulses can be measured. Impulses sent out from transmitters on shore make a grid of the area to be covered, much like the coordinates on a map.

Meters on the ship pick up the impulses from shore and translate them into exact distances. You can learn in 15 minutes how to read the meters and thus to know exactly where you are. And of course, by following the meter readings later, you can return to the same spot.

LORAN, as used during the war, was accurate to within perhaps 10 mi.—enough for convoy rendezvous, but nowhere near enough to pinpoint a spot in the ocean, maybe a good spot for an oil well. That's where LORAC came in. Using continuous transmission, it developed a theoretical accuracy down to 2½ ft. at short ranges. Its practical working accuracy right now is enough to turn the notch-cutting angler green with envy.

• **How It Started**—Telling how LORAC works is getting ahead of the story of what it works at, and how it came to be developed. That story is pretty much the history of man's hunt for oil, and the history of Seismograph Service Corp.

In the beginning, any time a man found greasy gunk seeping out of the ground, he figured it was a good place to dig an oil well. The system worked



WHAT IT DOES Big problem in underwater oil exploration is how to mark permanently the spots that tests have indicated as likely ones. Conventional navigation and plotting are nowhere near accurate enough. But LORAC meter readings at the original spot can always be duplicated later, and the boat will be exactly where it ought to be.

In Tidelands Oil Hunt

fine as long as nobody wanted much oil. In time, all the seeping places were staked out, but the demand for oil kept right on growing. It got to be so big a problem that there are hardly any bigger ones around.

Geologists began to be called on to help hunt for oil. They had theories on what earth formations were most likely to harbor oil fields. The theories helped narrow the field to be searched. Back in the early 1930s the geologists began to call on the seismograph to help spot likely earth formations.

• **Dynamite**—The seismograph started out in life as a means of measuring earthquake and volcanic shocks. It branched out into the oil business when someone got the idea of setting off dynamite charges underground, and then measuring what happened. The result gave a rough working picture of what lay deep underground.

Seismograph Service Corp. started out as a maker of geophysical equipment. Soon it branched out into the search for oil. Business, conducted on several continents, got to be pretty good, give or take a few ups and downs.

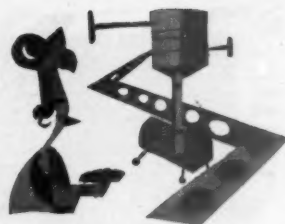
The whole business of hunting oil by seismograph took a strange new

bounce with the discovery that enormous oil fields almost certainly lie under the waters of the continental shelf in the Gulf of Mexico. Prospecting those fields brought some fancy complications.

• **One Way**—Even on land, and despite the seismograph, the only sure way of locating oil is to drill a well and see the oil come out. The seismograph can tell you where there is a good likelihood, but that is all. It has to be a real likelihood, for well drilling is expensive, especially when you hit a dry hole.

When you make a seismograph test on land, you know exactly where you are. If your dynamite blast and the reaction to it indicate a good spot for drilling, you know what to do.

• **Where Was It?**—Not so with underwater testing. You can make your seismographic test all right, and you can mark the spot on a chart. But the mark will hardly be accurate enough for drilling. Besides, how do you find the spot? One sliver of water looks much like another. Even if you succeed in putting your immensely expensive underwater well in the right spot, a nightmare possibility remains. Sup-



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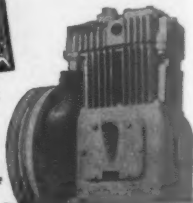
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Onto the
Tubing
Down on
the fitting
Now
Ratchet!

pose, due to navigational wobbles, your rig has strayed out of your lease into that of a neighboring company. Reason totters at the prospect.

Seismograph Service Corp. and its competitors licked their chops at the prospect of business in the tidelands exploration, but the difficulties held them back. The SSC, prodded by its geologist-president, Gerald H. Westby, buckled down and came up with LORAC.

• Transmitters—SSC has already signed its first contract for LORAC work with a major oil company—which one, Westby sharply refuses to say. SSC is setting up its LORAC transmitters to cover the area south and southwest of the Mississippi delta.

The client company is going to do its own oil hunting, using the gravity meter system. That's a quicker, but less accurate, variant of seismographic search. (Probably, when the gravity hunt has narrowed the likely field, seismographs will be brought in for pinpointing.) In any case, SSC will operate the LORAC transmitters on shore and thus enable the client's search boats to cut infallible notches to locate their finds.

Incidentally, once SSC has its transmitters working, there's no limit to the number of clients it can service. Federal Communications Commission rules require that it serve all comers in the area it can reach, for a fee.

The story of SSC, as a company, is hopelessly tangled up with the increasing complication of oil hunting. The original instrument-making company—founded on a \$4,000 shoestring by W. G. Green—gradually split apart from the oil hunting part, which was run by Westby. The divorce became final in 1941, with Westby keeping the SSC name.

• Far Afield—Subsidiaries were set up in Mexico, Venezuela, and Canada; and a completely independent company in England. Today it has 100 seismograph crews operating around the world. SSC itself has 800 regular employees, plus laborers hired for the crews operating abroad.

Since 1941, SSC has shown a profit every year except 1949, when a shut-down on Venezuelan projects hit it hard. Top year was 1948, when gross revenues of over \$7.5-million produced a \$505,479 net profit. Profitwise, 1951 is expected to show around \$500,000 net, on gross revenues of under \$6-million.

Originally closely held, the company in 1946 had its first public sale of stock. Now its 350,000 shares are divided among more than 1,300 holders. But the officers and employees, along with their families, still have nearly 45%. As corporations go, that's pretty much in the family.

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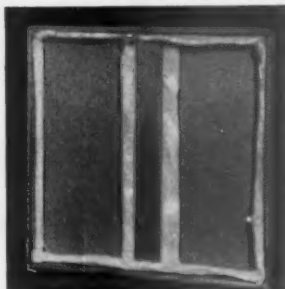
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Take a tip from a company that has packed and shipped *your* kind of product under the most difficult conditions—with complete safety. Investigate KIMPAK Float Packaging at your earliest opportunity. For complete information, write to Kimberly-Clark Corp., Neenah, Wis.



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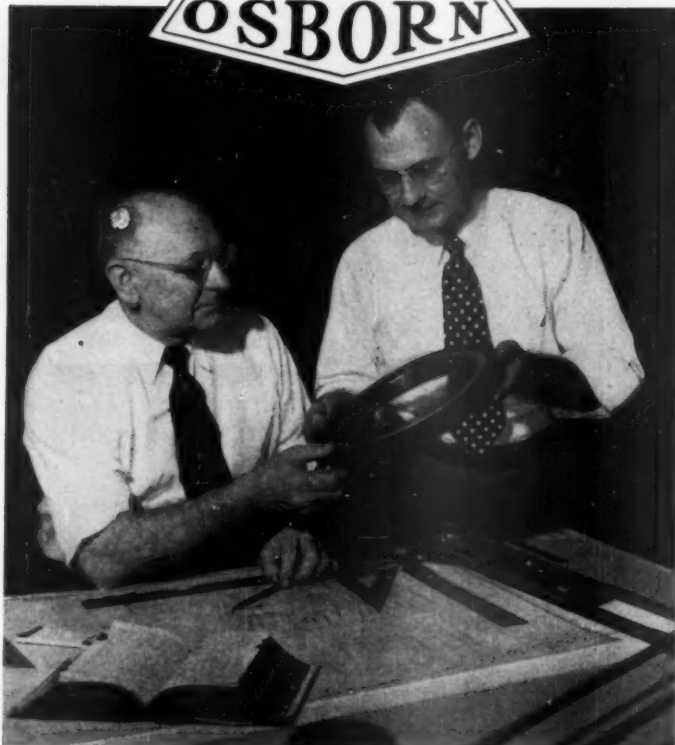
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NEW PRODUCTS



Pocket-Size Calculator

A couple of brainy Swiss watch-makers have just come up with an intricate mechanical calculator that is supposed to do the job of high-priced electric desk calculators. The gadget should be handy for anyone who has to do complicated figuring on the run.

Called the Curta Calculator, it adds, subtracts, multiplies, divides, and figures square roots, factors, cubes, and percentages. And that's not all: The machine carries out to five decimal places and totals figures up to 99-billion. Curta says you can even check and recheck your results on three sets of dials.

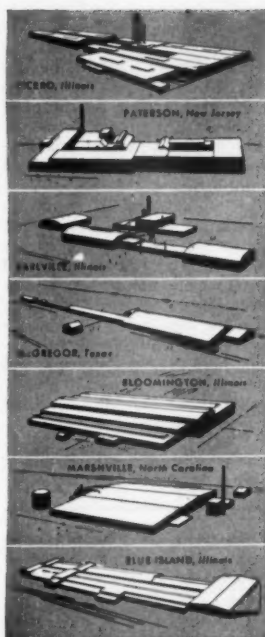
- Source: Curta Calculator Co., 5543 S. Ashland Ave., Chicago, Ill.
- Price: \$129.

Key to Safe Credit

Credit cards and plates are nice for stores because it takes less time to identify a customer and to fill out charge forms. For the customer, there are drawbacks. A metal plate can be bent, or lost for someone else to use. And it's hard to remember to carry the identification with you when you go shopping. Authorite is a new method of identification that should get around these disadvantages.

The Authorite identification key is a metal plate bent around a core, and covered or "locked in" by a nylon plastic tube. The tube fits onto your key chain, so there's little chance of losing it or forgetting to take it with you. Anyone who carries a house key will carry the Authorite key with it.

At the store, after making a purchase, the customer gives the key to a clerk who pushes it into the Authorite ma-



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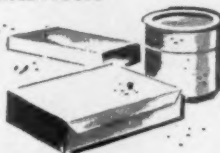
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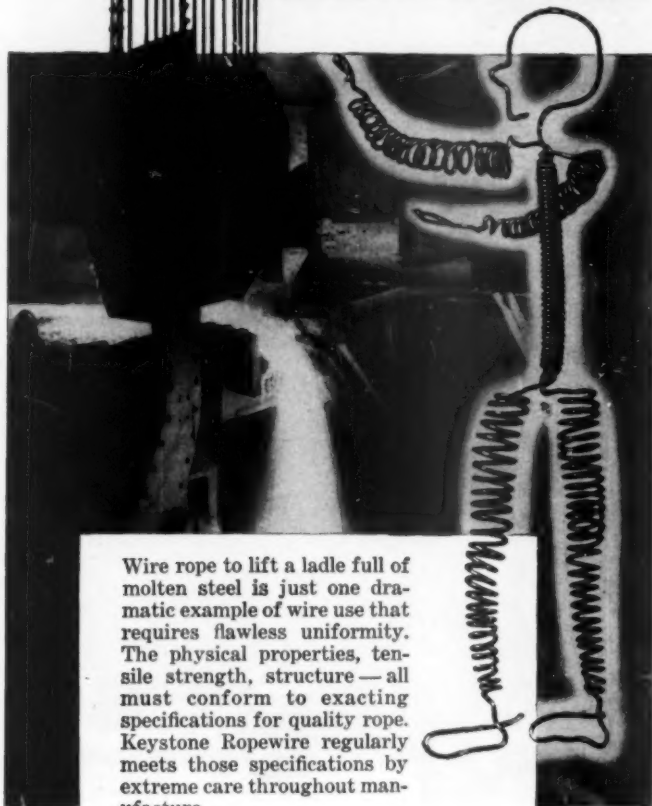
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chine. A special clutch on the machine releases the nylon cover. The clerk pushes a handle, and the machine prints up to eight copies from the plate onto receipts and shipping bills.

• **Double Check**—To prevent fraud, the clerk can ask for the customer's name before she prints it. It's impossible to read the identification on the plate without taking the plastic cover off. And without the Authorite machine, the key would have to be broken to get at the information.

The key should also be useful for charging railroad or plane tickets, and gas at service stations. One special use will be for identification at industrial or government installations. The key holds seven lines of type, room enough for both name and special code identification. A person entering any installation would have to give both name and code number.

• **Source:** Authorite Co., Inc., 1 Baker St., Providence, R. I.

NEW PRODUCTS BRIEFS

Fuel-oil preheaters can develop leaks so that boiler water infiltrates your oil supply. Paraprobe, developed by Davis Engineering Corp., 1064 E. Grand St., Elizabeth, N. J., detects these leaks and gives out warning signals. It also warns you if boiler water gets too low.

• **Instan-Form** telecriber can reproduce handwritten communications on any other distantly located telecriber. It reproduces messages written on business forms onto similar forms in the receiving machines. The setup comes from Tel Autograph Corp., 16 West 61 St., New York City.

• A **two-in-one calculator**, called Dual Action Comptometer from Felt & Tarrant Mfg. Co. of Chicago can be "split" at any point on the keyboard: On the right section, you can make individual calculations, while on the left you can add the results at the same time. Both sides cancel independently.

• **Translucent awnings** of shatterproof plastic are completely fadeproof and indestructible, says Ray-O-Lite Corp., 696 Greenwood Ave., Atlanta. This fiberglass-reinforced plastic comes in several pastel colors.

• **Morning control** turns your thermostat down at night and up again in the morning before you get up. A tiny heater inside the electric timing device, made by Skuttle Mfg. Co., 4099 Beaufait Ave., Detroit, warms the thermostat 10 degrees at night, so it cuts down your house heat.

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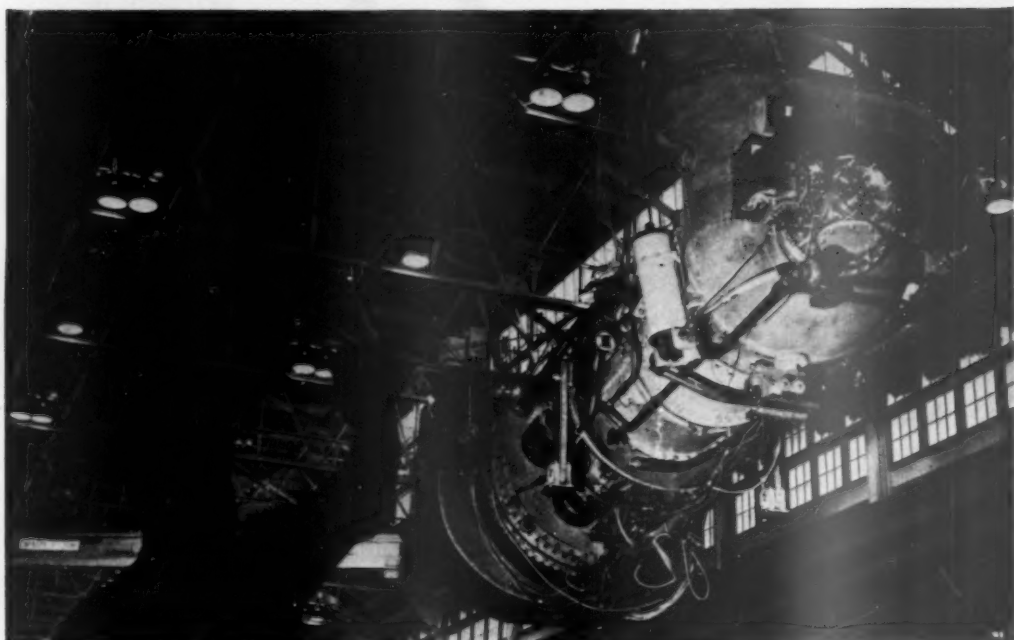
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PRODUCTION



GAS TURBINE ENGINE, the thrust-power behind fighters and bombers, is turning out to be . . .

A Souped-Up Powerplant for Industry

The gas turbine engine was developed because World War II fighter planes and bombers needed speed and still more speed. When the war ended, engineers—still up to their necks in research—began to monkey around with the idea of translating that power into industrial uses.

It looks now as though they've hit on a brand-new kind of prime mover. Already, pipeline and power companies, and one railroad have found that the gas turbine is a compact, economical powerplant.

• **Wheel and Buckets**—A turbine is simply a wheel with a series of buckets, or blades, located all around its circumference. In an airplane, air and fuel are forced into a combustion chamber by a compressor; then the air-fuel mix is burned and roars out through the turbine. The resulting gases fan the buckets, then exit through a jet exhaust.

It is the force of the gas rushing out that drives the plane ahead. The spinning turbine drives the compressor to force more fuel and air into the combustion chamber.

In industrial use, the principle is the

same. But the spinning turbine becomes a source of power, instead of just a driver for the compressor. This soaks up most of the force of the gas so that when it exits it has little forward drive.

• **Same, but Different**—The industrial turbine is similar in design and operation to the aircraft version. The only differences are its size and applications. The manufacturers build their gas turbines big to get more power. And instead of using the jet of the turbine gases as power, the industrial turbine takes the power directly from the shaft of the turbine wheel.

Right now the manufacturers are just beginning to flex their muscles in their new-found market. General Electric Co., biggest of the manufacturers, has chalked up 107 units on its order book.

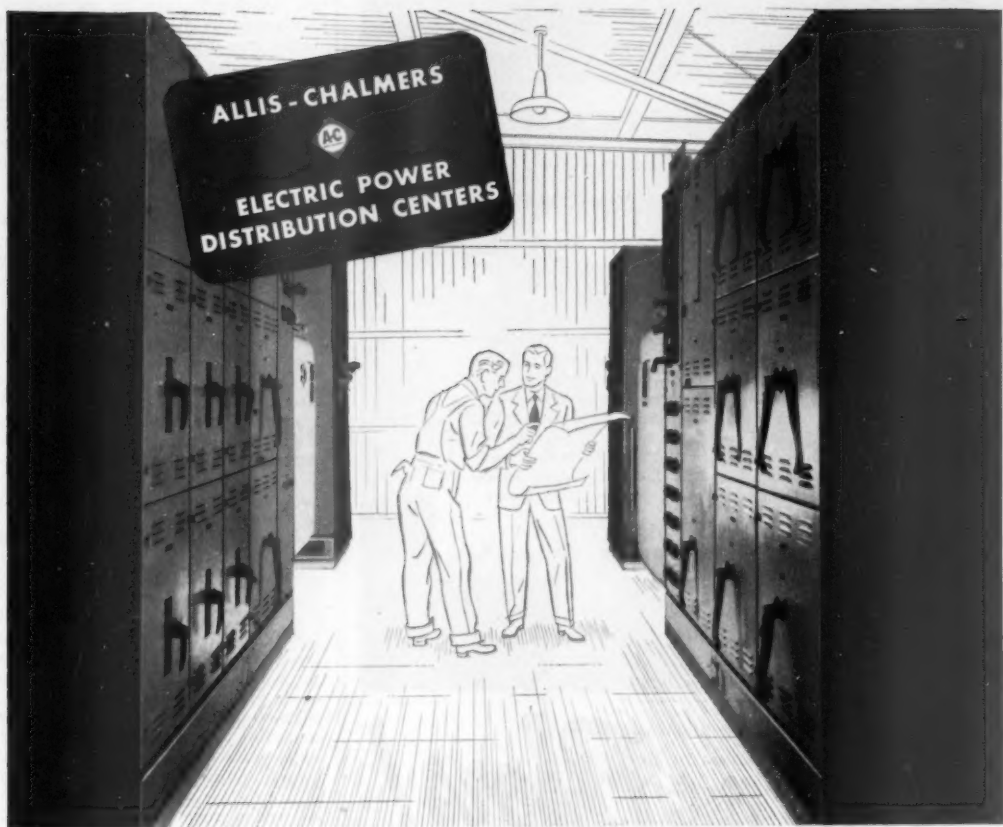
Of these, 10 are already in operation in pumping and power stations. Of the rest, half are firm orders, the other half subject to government O.K., because they are being built for defense plants. Westinghouse Electric Corp. recently put three turbines into service, and Allis-Chalmers Mfg. Co. is watch-

ing the test runs of a turbine-powered locomotive at Dunkirk, N. Y.

• **The Range**—Powerwise, the market for the gas turbine falls between the peak ratings of the piston engine and the lower ratings of the steam turbine. Most gas turbines turn out around 5,000 hp. Above and below that, the piston and steam-turbine engines will probably hold their own for a long time to come; production and operating cost make them more economical. Manufacturers of gas turbines probably will limit their production to the present models, until they're convinced that there's a market for smaller and bigger turbines.

• **All in One**—At the moment, pipelines look like the biggest market for gas turbines. Self-sufficiency is probably the turbine's biggest selling point in the pipeline business. Pipeline operators long have favored piston engines for their pumping stations. But the turbine is about \$50 cheaper per hp. than a piston engine in original cost. And its annual operating costs are around \$10 less per hp.

More than that, a turbine located at a remote pumping station can take



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PICTURED HERE is one of six electrical penthouses on top of the world's largest telephone manufacturing plant, at Indianapolis, Ind.

Each contains rows of lockerlike steel cabinets (technically called unit substations) which house Allis-Chalmers electrical equipment . . .

transformers which step down high voltage electricity to lower voltages needed to operate lighting systems and production machinery . . . circuit breakers which shut

off current automatically, should lines be overloaded, and which can be operated by hand to shut off an individual circuit without affecting the rest of the system.

In all, there are ten of these Allis-Chalmers substations containing 19 units in this Western Electric plant. Thousands of similar installations—indoors and out—are used by industries and power companies throughout the country to distribute electricity safely and dependably to factories, farms and homes.

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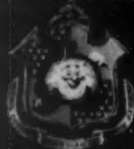
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its fuel directly from the gas pipeline. Natural gas is cheap to start with, and in the long run cheaper than electricity or coal. An electrified station must get its power from transmission lines, which usually aren't handy to start with. Otherwise, it must produce its own steam to drive the electric generators. That requires additional equipment such as boilers, heat exchangers, etc.

A turbine and a pipeline compressor also have some similarity in operation. Often, the operating speeds of many compressors are close to the most efficient speeds of a turbine. So you can couple them together through a direct drive, without much loss of power in the transfer.

• **The Market**—Westinghouse believes that pipelines will be the biggest market for the turbines in the future. Right now orders for turbines are probably ahead of any other competitive powerplant in the pipeline field, because the economics are on the side of the turbine.

GE figures that the operators will need 2-million hp. more for their present lines in the next five years. This estimate doesn't include new pipelines. GE hopes that turbines will get at least one-third of the future power requirement. So turbine sales for pipelines alone should add up to about \$143-million at \$200 per hp.

• **Powerplants**—Power companies are using turbines mostly as supplementary rather than primary powerplants. A central station can boost its capacity with a turbine-powered generator without adding more steam-making equipment. Or it can install a turbine at a remote end of a transmission line to take care of peak or seasonal demands. There, it can be turned on or shut down in a few minutes, which isn't easy to do with a steam turbine.

A good source of water isn't a must for turbines—as it is for a steam turbine or water-cooled piston engines. So turbines are a natural for areas such as New England or the West where water supplies are a problem, or where coal is expensive.

• **The Competition**—Gas-turbine designers don't think that the power ratings will go much beyond 15,000 kw. in central station work. The steam turbine, they feel, will continue to be top dog in that power range. The reason is that the gas turbine's economy starts to drop off at upper limits. About two-thirds of its power is used to run its compressor section. So manufacturers must build a turbine for approximately 50,000 kw. to get 15,000 kw. out of it.

None of the manufacturers will estimate the future of the turbine in power generation because they are just getting into the market. But so far the repeat

business has been good. Three out of GE's six customers have reordered turbines for their power stations.

Westinghouse engineers don't rule out the higher power ranges for gas turbines. They say that future developments in the gas turbine will result in more efficiency than any other powerplant, in central station applications.

Steam-turbine designers must squeeze more power out of their turbines. But power improvements in gas turbines will come out in relatively large chunks, as their development goes on. The chances are that the improvements will be four times the fractional improvements in steam turbines.

If improvements don't come fast enough, anxious customers in the power industry have one possible out: They could connect two 15,000-kw. turbines to get a bigger powerplant.

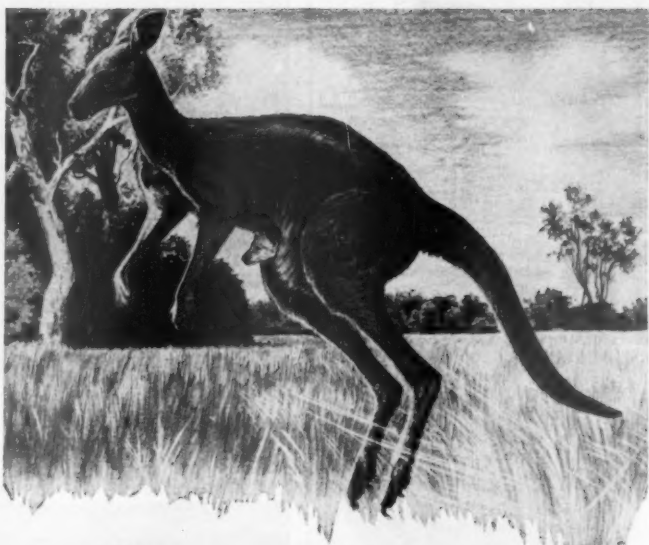
• **Fuel Factor**—Railroads have been considering the turbine as a powerplant for their locomotives, but Union Pacific is the only one that has yet warmed up to the idea. Its aim is to develop a locomotive for fast, through-freight service. UP, in cooperation with GE, has already made successful test runs of a turbine-powered locomotive. And it recently ordered 10 turbines from GE for regular road service.

But turbines will run into resistance in the railroads, despite their success with UP. One reason is price differences between the types of fuel oils. Diesel users can bank on cheap fuel prices. But turbines take higher-quality oils, whose prices are more likely to go up than down.

The turbine makers would have no trouble breaking into the railroad field if the turbine fuels hold to their present prices. A turbine-powered locomotive would be economical in some parts of the U. S. where there is a good supply of cheap fuels. But gas turbines would run into trouble if prices went up. A turbine is a one-fuel proposition and can't switch to a cheaper fuel by a twist of a valve.

• **Other Fields**—Steel, textile, and chemical plants are an untouched field for gas turbines. The engines won't be able to compete with electric motors or steam engines in jobs that need stop-start-and-reverse operation. But the manufacturers see some applications in plants that can use a cheap, steady powerplant.

A turbine could be hooked up to a compressor for use with a blast or open-hearth furnace in a steel mill. The fuel could be taken from a nearby coke oven, given additions of higher Btu. fuel, and fed into a turbine. What's more, a turbine can make steam if water is circulated around its red-hot turbine section. That's an added benefit to steel and chemical industries.



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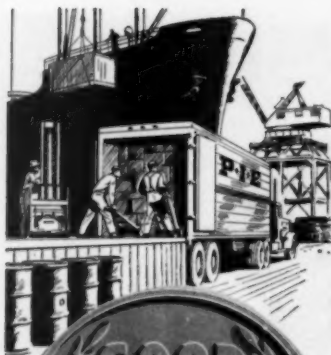
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1862 This steam carriage, which ran at a phenomenal 15 mph., had an engine built on the principles that developed into modern heat-power theory.



1952 Today's planes, such as this 700-mph. Chance Vought Navy fighter, show up flaws in established formulas, point up need for . . .

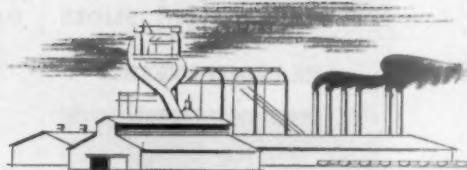
New Theory for New Engines

The first steam engines were crude contraptions—as crude as the rather naive notions of their ingenious inventors. What they had discovered was simply that if you heated water, it expanded and shot off steam, which could somehow be turned into energy that could be used for mechanical processes.

As these processes began to get more complicated, designers discovered that it was one thing to develop the energy, another to control it. They had to have some idea of what to expect from the engine before they could use it efficiently.

So scientists began to study the steam engine's behaviour to see what would happen if they varied conditions at different stages of the process. What would happen to the machine's work output, say, if you varied the pressure and heat content of the steam? What they found out eventually jelled into some basic formulas that became the theory of thermodynamics: These principles have been the mechanical engineers' bible ever since.

• **To Blame**—Even today, although results still aren't always in line with what the book says they should be, most



They did

The way this steel mill operator* licked his production problem spells out an answer for every executive who is trying to produce more. His problem was acute because he needed more production from the basic physical facilities he already had. Yet he could ill afford lengthy shutdown time.

what

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"... It's the basic formulas, not experimental techniques, that are causing the trouble..."

NEW ENGINES starts on p. 138

engineers feel that the basic theories are sound, have applied them to everything from steam engines and turbines to internal combustion engines, gas turbines, compressors, and heating, refrigeration, and air-conditioning equipment. The tendency is to blame unexpected results on experimental and instrument errors.

Now, however, one scientist says it isn't so. Neil P. Bailey, mechanical engineering professor at Rensselaer Polytechnic Institute, claims that it's the basic, time-honored formulas, not experimental or instrument techniques, that are causing the trouble. Whatever the final conclusions, his findings are sure to stir up a great deal of controversy.

• **The Gap Widens**—In the very early steam engines, the gaps between theory and practical results didn't matter so much. The machine was a slow-moving unit that operated on fairly low temperatures and pressures. Industry didn't expect much from the engine, and performance was generally considered pretty good for that stage of development.

But as industry began to make bigger demands on its machines, the machines in turn demanded more from the steam, air, gas, and other fluids used. Temperatures, pressures, and flows had to be stepped up. The gap between theory and end results, between how an engine was expected to behave and how it actually did behave, grew wider and wider all the time. Horse-and-buggy thermodynamics fell far short of predicting the output of the machine.

This forced design engineers to use the cut-and-try method to get what they wanted. They did turn out efficient units, but the pattern of try, redesign, and try again was time consuming and expensive.

• **Other Fields, Too**—Engineers working in the field of thermodynamics weren't the only ones in this boat. The same problem existed in aerodynamics (forces acting on bodies in motion in air) and in hydraulics (liquids in motion). The three fields are so closely tied together that they are classified under a common name—fluid dynamics.

In earlier days, with aircraft winging along at a couple of hundred miles an hour, aerodynamicists, like the thermodynamicists, weren't bothered too much by the fact that theory didn't work

out exactly as they expected—they ended up with a pretty good machine anyway.

Now, however, with the conventional jet airplanes hitting 700 mph. and better, theory is trailing by a considerable margin. Airflow patterns over wings don't conform to the old theory, and pilots are running into trouble from flow instability and discontinuities brought on by the higher operating air speeds.

Under high-pressure operating conditions, hydraulic pumps and nozzles, too, run into unstable flow conditions that old theory doesn't predict.

• **New Findings**—Bailey's findings may change all that. After extensive analysis and tests, he has come to the conclusion that some of the basic theories underlying flow processes in thermodynamics, aerodynamics, and hydraulics don't hold water in present-day applications.

Two of the outstanding points that Bailey makes are that every pound of air, steam, or gas flowing through the various processes has been credited with more energy than it actually possesses; and that fluids flowing in unconfined space, such as air flowing over an aircraft's wing, don't conform to the laws for flow through pipes, on which basic theory was founded.

Bailey's findings are a timely answer to recent charges made by several outstanding engineers. These authorities have said that thermodynamics, as taught and applied, does not measure up to the accuracy required for modern, high-speed power machinery.

• **Proof, Controversy**—Experiments that have been made add considerable weight to Bailey's arguments. This spring he will present at RPI the details on his discoveries complete with laboratory demonstrations. Shortly after that, a book in which he will explain his new theories will be published by McGraw-Hill Book Co., New York. Then he will formulate a new set of steam and gas tables in line with his revised theory.

The new concepts will have to overcome a lot of tradition before they will be accepted. Bailey's claims will certainly touch off a wave of experimental investigation. Engineers and designers will want to check the new contentions.

• **Benefits**—What does all this mean to industry? If Bailey's theories stand up under the spotlight, they could mean big benefits for industries that use machines that operate on fluid flow principles.

These theories would give the designer a new task for predicting a machine's performance, slice the expensive cut-and-try time for developing new machines. For the manufacturer, this would mean much lower first costs than he can achieve now.

PRODUCTION BRIEFS

Transistors, potential replacements for vacuum tubes (BW—Feb.23'52,p46), are one step closer to mass market. Western Electric, the patent holder, has licensed Radio Receptor Co. of Brooklyn, N. Y., to manufacture them.

Fluorspar production will get a big boost when Kaiser Aluminum & Chemical Corp. builds its new mill in Nevada. Kaiser needs about 31,000 tons of the processed mineral yearly to produce aluminum fluoride and synthetic cryolite for its aluminum plants.

A new plastics rolling machine is turning out 120 mi. of vinyl film, 6 ft. wide for Goodyear Tire & Rubber Co. each 24-hour day. The film is used for garment bags, shower curtains, rainwear, and similar items.

Steel furnaces will get a new kind of lining from a plant at Corhart Refractories in Louisville, Ky. Instead of molding refractories, Corhart melts materials in electric furnaces and then casts the linings by pouring. The linings are supposed to give better performance and longer life than present linings.

Atomic-powered submarines are getting another push: AEC has authorized General Electric to build a prototype of an atomic powerplant for submarines at Milton, N. Y. (BW—Jul.28'51,p99). The nuclear reactor will be of different design from the one Westinghouse is already experimenting with in Idaho.

A **two-way stretch**, with a 3-million-lb. pull, will be built into Alcoa's machine for straightening aluminum extruded parts. The machine will work with Alcoa's 13,200-ton extrusion press at Lafayette, Ind., to handle large one-piece aircraft parts.

Steel balls for ore crushing can be cast in a continuous process, says National Malleable & Steel Castings Co. The process will be used at the company's new property, Capitol Foundry, at Phoenix, Ariz. The foundry will also turn out iron liners, and iron, steel, and aluminum castings.

New techniques were used by Tennessee Coal & Iron Division of U.S. Steel to reline a blast furnace in record time: 50 days. When temperatures had dropped in the furnace, the fire was put out with water. Then fire hoses washed the stock from the furnace, instead of raking it out by hand.



BROWN & ROOT, TOPS IN TOTAL CONSTRUCTION IN TEXAS

AUSTIN, Jan. 2. (AP)—Despite government controls on building, Texas construction contracts passed the billion dollar mark for the second time in history in 1951 and set an all-time record of \$1,076,252,036

The record-breaking overall total was reported today by Hanford Reed, editor of "Texas Contractor," building trade journal.

Numerous large single projects were put under contract in 1951 The Lone Star steel plant which was awarded to Brown & Root, Inc., of Houston was in excess of \$70,000,000

Brown & Root led all contrac-

tors in dollar value. "Texas Contractor" estimated the firm won contracts totaling close to \$200,000,000.

"A turning point in Texas' post-war construction boom was reached in July 1951," Reed said in an editorial for the Jan. 1 issue. "Up to mid-year, the construction industry as a whole, in common with many other segments of Texas economy, had been operating at levels never before reached in history"

Reed predicted the dollar value of Texas construction would continue high because of new projects necessary to the defense effort.

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DEFENSE

Machine Tools . . .

. . . will be produced in order of need, if Munitions Board's coming project works as planned.

The mobilizers are polishing up an order calculated to bring order into machine tool production.

Up to now, the three services haven't been able to get together on what tools are needed most urgently. Last year the industry turned out 71,000 tools without benefit of scheduling. This meant, for example, that tools to make refrigeration units got equal priority with tools for jet planes.

• **Urgency List**—Outside the machine tool field, the military has done a little better. Each service has its own urgency list. The Munitions Board has put these together in one master list. But in effect this means that in the top urgency spot you have one item from each of the three services. The same goes for place two, place three, and so on. The Munitions Board and mobilization administrators haven't been able to get the Joint Chiefs of Staff to forget service jealousies and ditch the Air Force-Navy-Army, Air Force-Navy-Army ring-around-the-rosy in favor of a real urgency list.

Testimony before the Senate Small Business Subcommittee last week revealed that the mobilization bosses are nearing their goal of a master urgency listing that will tabulate end products according to their military need, without regard to service. If the services go along, it will be translated into an order to the industry around Apr. 1. This would give the tool maker a priority list for deliveries. If he has contracts with both the Navy and Air Force, it would tell him which to deliver first.

• **Tool Source**—The information on the master list came out last week, when Sen. Blair Moody's subcommittee began digging into the lagging machine tool program. The hearings failed to produce a clear-cut link between the lag and the stretching out of production goals, but they did produce leads for defense contractors who need machine tools to fill defense contracts.

• **Schools**—Under the Defense Production Act, National Production Authority has authority to recapture machine tools that it turns over to schools for training use.

Until the first of the year there wasn't much that NPA could do about cases like this. On Jan. 15 it began a

BUSINESS

survey, in cooperation with Federal Security Administration, to locate and catalog the tools. So far, it has located 1,200 and placed 300.

The cataloging of the 100,000-plus machine tools is expected to provide the industry with its quickest source of tools. Defense contractors in need of tools should get in touch with Jack K. Woll, Available Tool Section, Metalworking Equipment Div., NPA, Washington 25, D. C.

CHECKLIST: Defense Regulations

The following listing and condensed description cover all the materials and price-control regulations issued by the defense agencies during the preceding week.

Full text of the materials orders may be obtained from National Production Authority, Washington 25, or any Commerce Dept. regional office.

Full texts of the price orders may be had from the Office of Price Stabilization, Washington 25, or from the regional OPS office in your area.

Materials Orders

Steel distributors: Defines the corrugating and forming of iron and steel roofing and siding, ridge roll, valley and flashing by steel distributors as a warehouse operation, subject to the warehouse order. M-6A as amended (Feb. 27).

Auto wreckers: Allows an additional 30 days, or until Apr. 1, 1952, to dispose of pre-1946 model motor vehicles. M-92, Amdt. 1 (Feb. 27).

Sulfur and sulfuric acid: Requires every person who uses more than 20 short tons of sulfur in any calendar month to file a monthly report with NPA. M-69 amended; M-94 amended (Feb. 28).

Cryolite: Limits the purchase of both natural and synthetic cryolite; limits inventory to 30 days except for primary aluminum producers and producers of, dealers in, and consumers of insecticide-grade cryolite. M-99 (Feb. 29).

Lead: Removes all restrictions on consumption of lead, but retains the reporting requirements of the previous order as well as modified inventory restrictions. M-38 as amended (Mar. 3).

Selenium: Authorizes suppliers of selenium to make deliveries on certification that the purchaser is entitled



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BW-3-8

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to buy and use the material. M-91, Amdt. 1 (Mar. 3).

Pricing Orders

Cottonseed meal: Permits processors, distributors, and other sellers of cottonseed feed products who bring in feed from surplus areas to add base-period transportation costs and customary margins to the prices they pay suppliers when they buy products f.o.b. their suppliers' places of business. GCPR, SR 31, Rev. 2 (eff. Mar. 3).

Textile commodities: Adds blankets, clips, and twines to list of miscellaneous textile and related commodities that manufacturers may price under GCPR 22. Also removes fabric-covered rubber thread from the listing. CPR 22, SR 12, Amdt. 7 (eff. Mar. 3).

Cotton textile labor costs: Clarifies what fringe labor costs may be figured in textile manufacturers' direct labor costs. CPR 37, Amdt. 4 (eff. Mar. 3).

Work gloves: Requires manufacturers of plastic-dipped fabric work gloves to price under CPR 22 rather than under the apparel manufacturers' regulation. CPR 54, Rev. 1, Amdt. 2. CPR 22, Amdt. 42 (eff. Mar. 18).

Automotive flat rate manuals: Approves two additional flat rate manuals used by suppliers of auto repair services: (1) preliminary diesel engine flat rate manual and (2) 1951 supplement to Chevrolet body flat rate manual. CPR 34, SR 3, Amdt. 2 (eff. Mar. 3).

Retail reporting requirements: Eliminates requirement that retailers report initial percentage markups or gross margins higher than the base period's. This will be done by reliable trade sources. CPR 7, Amdt. 15 (eff. Mar. 3).

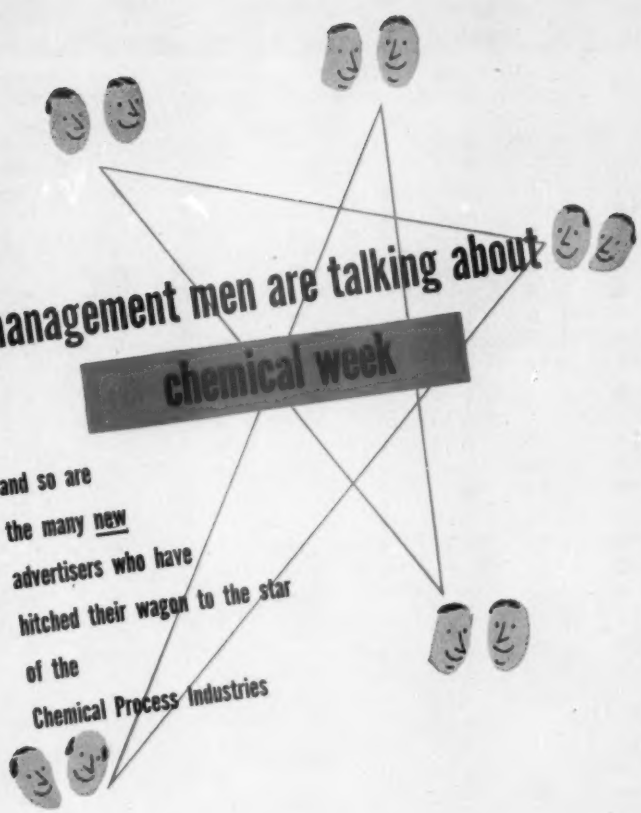
Brass and bronze ingot: Sets up regulation that rolls back ceiling price of domestic brass and bronze ingot. The regulation does not affect export sales. CPR 127 (eff. Mar. 3).

Rubber tires and tubes: Provides means for makers of rubber tires, tubes, molded, extruded, and cut mechanical rubber goods to adjust ceilings under the Capehart formula. CPR 22, SR 10, Amdt. 4 (eff. Mar. 3).

DeSoto autos: Provides basic retail prices for a new line of DeSoto custom eight-cylinder autos and for factory-installed extra, special, or optional equipment. CPR 83, Sec. 2, Spec. Order 14, Amdt. 1 (eff. Feb. 26).

Nash Rambler autos: Sets new increased basic retail prices for Nash Ramblers. CPR 83, Sec. 2, Spec. Order 10, Amdt. 1 (eff. Feb. 28).

Distillers' byproduct feeds: Permits processors, temporarily, to sell their byproduct feed at a price agreed upon between them and their buyers, provided the contract price is not more than \$10 a ton in excess of current GCPR ceilings. GCPR, SR 90 (eff. Feb. 28).



management men are talking about chemical week

and so are
the many new
advertisers who have
hitched their wagon to the star
of the
Chemical Process Industries

For CHEMICAL WEEK, matching the pace of the fast-moving market that it serves, has grown rapidly... in editorial scope... in circulation among all executive levels... and now, in advertising pages. With display advertising up 92 percent in the first two months of 1952, space gains have been outstanding. Its growing list of new advertisers... of equipment, materials and services... confirms CHEMICAL WEEK as the place to sell management men in the Chemical Process Industries.

NEW ADVERTISERS IN 1952*

ARCHER-DANIELS-MIDLAND CO.
ARKELL & SMITHS
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BAGPAK DIV., INTERNATIONAL PAPER CO.
BALTIMORE & OHIO RAILROAD
BEMIS BROS. BAG CO.
BENZOL PRODUCTS CO.
BUFFALO FORGE CO.
CLEVELAND WORM & GEAR CO.
DIAMOND ALKALI CO.
DISTILLATION PRODUCTS DIV., EASTMAN KODAK CO.
BRACCO CORP.
DURIRON CO., INC.
ECO ENGINEERING CO.
EDWIN L. WIEGAND CO.
E. I. DUPONT DE NEMOURS & CO.
KINETIC CHEMICALS DIVISION
EL DORADO OIL WORKS
EMPIRE TRUST CO.
ERIEZ MFG. CO.
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FILTRAL CORP.
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VANTON PUMP CORP.
VELSICOL CORP.
VULCAN COPPER & SUPPLY CO.
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WM. POWELL CO., THE
WORTHINGTON PUMP & MACHINERY CORP.
INDUSTRIAL MIXERS DIVISION
W. W. SLY MANUFACTURING CO., THE

*Contracts received as of 2-1-52

MANAGEMENT MEN ARE TALKING ABOUT...

ABC-APP

Chemical Week

A MCGRAW-HILL PUBLICATION, MCGRAW-HILL BUILDING, NEW YORK 36, N.Y.

FINANCE

UTILITY EARNINGS—THE STRAIN IN PROSPEROUS 1951

| | Revenue gains | Operating Expenses* | Fixed Charges | All Taxes | Outstanding Pfd. | Comm. | Net Income | Per-Share Earnings |
|-------------------------------|------------------|------------------------|------------------|--------------|---------------------|-------|---------------|-----------------------|
| Appalachian Electric . . . | +13% | +13% | +13% | +13% | — | +23% | — | -18% |
| Arkansas Power & Light . . | +28 | +16 | +7 | +44 | — | +28 | +4% | -18 |
| Atlantic City Electric . . . | +12 | +11 | — | +12 | — | +10 | +9 | — |
| Carolina Power & Light . . | +17 | +19 | +18 | +20 | — | +14 | — | -13 |
| Central Maine Power . . . | +5 | +10 | — | +23 | — | +14 | — | -11 |
| Connecticut Power | +8 | +12 | — | +18 | — | — | -6 | -7 |
| Consolidated Edison | +6 | +4 | +9 | +17 | — | +8 | — | -7 |
| Consol. Gas, El. Lt. & P. . . | +6 | +6 | +24 | +7 | — | +3 | -7 | -10 |
| Consumers Power | +14 | +15 | +21 | +34 | — | +10 | +3 | -6 |
| Delaware Pow. & Light . . | +11 | +38 | +22 | +39 | — | — | -11 | -14 |
| Detroit Edison | +9 | +9 | +10 | +14 | — | +16 | -9 | -23 |
| Georgia Power | +6 | +4 | +10 | +39 | — | +17 | -3 | -18 |
| Gulf States Utilities | +14 | +13 | +38 | +22 | — | +6 | -2 | -13 |
| Illinois Power | +11 | +14 | — | +37 | — | +9 | +8 | -2 |
| Kansas Power & Light . . | +10 | +13 | — | +31 | — | +12 | -13 | -24 |
| New England Gas. & El. . . | +9 | +8 | +11 | +1 | — | +14 | -8 | -21 |
| N. Y. State Gas & El. . . | +10 | +10 | +10 | +21 | — | +10 | +7 | -5 |
| Ohio Edison | +12 | +14 | — | +35 | — | +10 | -1 | -10 |
| Ohio Power | +8 | +2 | +9 | +28 | — | +34 | -1 | -26 |
| Oklahoma Gas & Electric | +11 | +1 | +5 | +43 | — | +12 | +6 | -4 |
| Pacific Gas & Electric . . | +18 | +24*** | +21 | +21 | 15% | +14 | -2 | -18 |
| Pennsylvania Pow. & Lt. . | +8 | +3 | — | +30 | — | +17 | +6 | -8 |
| Public Service of Col. . . | +14 | +11 | +22 | +33 | — | +10 | — | -12 |
| Public Service of Ind. . . | +10 | +7 | +9 | +23 | -33* | +51** | -1 | -19 |
| Public Service of N. H. . . | +10 | +8 | +17 | +20 | — | +25 | +5 | -14 |
| Rochester Gas & Electric . | +11 | +9 | +4 | +19 | — | +18 | -3 | -21 |
| San Diego Gas & Electric | +16 | +21 | +15 | +28 | +48 | — | +3 | -5 |
| Toledo Edison | +12 | +13 | +11 | +29 | +31 | — | -8 | -8 |
| Virginia Electric & Pow. . . | +11 | +5 | +14 | +26 | +9 | +14 | +2 | -11 |

*Reduced conversions into common stock. **Increased by preferred conversions and sales of new shares. ***Includes maintenance. #Operating expenses do not include depreciation and maintenance charges.

PLANT EXPANSION financing took its toll of 1951 utilities earnings. While revenues shot way up, profit margins dragged as . . .

Utilities End Year With Mixed Emotions

Imposing is the only word that can describe many 1951 operating achievements of the privately owned electric utilities—the nation's third-largest industry.

• **Power production** moved up sharply for the sixth straight year: Its total: 317-billion kwh., 13% higher than in 1950.

• **Operating revenues** soared to \$54-billion, up 10%. That's the 13th straight year revenues have risen—and 1951's gains, both in dollars and percent, were the highest in that period.

Last year's extra-high levels of industrial activity weren't entirely responsible for this showing. While kilowatt-hour industrial power sales showed a healthy 12.5% expansion, the more lucrative commercial and residential business jumped even more sharply. Commercial consumption rose 12.9%, residential sales were up 15.4%.

• **Not All Black**—But the year had its less gratifying side, too. Profit margins throughout the industry, for example, continued their long downtrend (BW—Oct. 13 '51, p. 142). The utilities were able

to convert into net profit only 16¢ of each dollar of sales, compared with 18¢ in 1950.

That may seem to be a minor drop, but it hurt just the same. For the first time since 1942, annual earnings slipped beneath the level of a year earlier. Net profits, despite 1951's record revenues, came to only \$814-million. That's \$17-million, or 3.3%, under 1950.

• **The Culprits**—What caused earnings to slip? Charles P. Crane, president of Baltimore's Consolidated Gas, Electric



"The Unbrako screws are the most accurate we've ever used"

"It's amazing! According to our test reports, these SPS Unbrako socket screws are the most uniform we've ever bought. They sure simplify our production procedures and we'll scrap fewer assemblies!"

Anyone can make good threaded industrial fasteners who takes the time and trouble to follow the SPS prescription.

The first ingredient is know-how. SPS originated socket cap screws and has been making them for 40 years. The second is good design. The knurled cup points and threads of SPS UNBRAKO Self-Locking Set Screws, for instance, are unique. UNBRAKO Set Screws don't shake loose. Next comes good machines. Millions of dollars' worth of machines so good they can turn out screws to consistently close tolerances. Then good people. SPS hires the best and trains them well. Finally and



Unbrako
Self-Locking Set Screw.

perhaps most important, quality control. One of every six of the 2,000 people at SPS is engaged in making sure SPS products are the best you can buy. To help them SPS has 60 sets of Johanssen blocks, 6,600 ring gauges, 6,600 drill gauges, 20 optical comparators—half a million dollars' worth altogether.

These are some of the reasons why it will pay you to take your threaded industrial fastener problems to SPS of Jenkintown. See your favorite industrial distributor, or write STANDARD PRESSED STEEL CO., Jenkintown 57, Pennsylvania.

SPS

UNBRAKO SOCKET SCREW DIVISION
JENKINTOWN, PENNSYLVANIA

FINANCE

UTILITIES END YEAR WITH MIXED EMOTIONS

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| Public Service of Ind. . . . | +10 | +7 | +9 | +23 | -33* | +51** | -1 -19 |
| Public Service of N. H. . . . | +10 | +8 | +17 | +20 | — | +25 | +5 -14 |
| Rochester Gas & Electric . . | +11 | +9 | +4 | +19 | — | +18 | -3 -21 |
| San Diego Gas & Electric | +16 | +21 | +15 | +28 | +48 | — | +3 -5 |
| Toledo Edison | +12 | +13 | +11 | +29 | +31 | — | -8 -8 |
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Anyone can make good threaded industrial fasteners who takes the time and trouble to follow the SPS prescription.

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Unbrako
Self-Locking Set Screw.

perhaps most important, quality control. One of every six of the 2,000 people at SPS is engaged in making sure SPS products are the best you can buy. To help them SPS has 60 sets of Johanssen blocks, 6,600 ring gauges, 6,600 drill gauges, 20 optical comparators—half a million dollars' worth altogether.

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UNBRAKO SOCKET SCREW DIVISION
JENKINTOWN, PENNSYLVANIA



Dividend... Bank of America NT&SA

For the convenience of stockholders who wish to have dividend funds available before their quarterly Federal Income Tax payments are due, the Board of Directors adopted a new schedule of dividend payments. The first quarterly \$4.40 instalment of the current semi-annual period will be paid according to the old schedule on March 31, 1952, to stockholders of record as of February 29, 1952. The second quarterly instalment, however, will be paid on May 31, 1952, to stockholders of record on May 15, 1952. In the past this quarterly payment has been made on June 30.

Q. Who owns the Bank of America? A. More than 200,000 shareholders!

Ownership of the Bank of America N.T.&S.A.—which was founded in 1904 with \$150,000 and now has total resources over seven and one-half billion dollars—is held by more than 194 thousand men and women and 6,185 institutions. Bank of America stock is an important asset of many institutions, including labor, fraternal and fiduciary organizations, foundations, investment trusts, insurance companies and savings banks.

Bank of America N.T.&S.A. is a member of the Federal Deposit Insurance Corporation

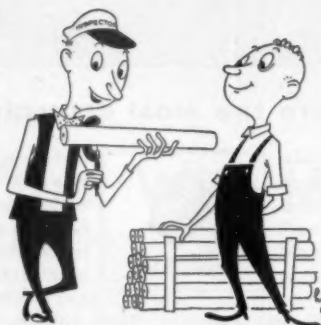
BANKING THAT IS BUILDING CALIFORNIA

Pretty smooth grinding these days, Jim !

It's inspection OK's instead of KO's since Simonds Abrasive Company wheels were put to work in the grinding room. Why? Because Simonds wheels are accurately specified to give top results on the jobs they have to do. They're part of a complete line containing everything to smooth your way to real production efficiency... quality-controlled grinding wheels made by Simonds Abrasive Company, a major grinding wheel producer for 60 years. Why not talk over your problems with a Simonds engineer? No obligation. Write.



EXECUTIVES — Simonds Abrasive Company's complete line has everything you need... grinding wheels, mounted wheels and points, segments and abrasive grain.



SIMONDS ABRASIVE CO. PHILADELPHIA 37, PA. BRANCH WAREHOUSES CHICAGO, DETROIT, BOSTON
DISTRIBUTORS IN PRINCIPAL CITIES

Division of Simonds Saw and Steel Co., Fishburg, Mass. Other Simonds Companies: Simonds Steel Mills, Lockport, N. Y., Simonds Canada Saw Co., Ltd., Montreal, Que. and Simonds Canada Abrasive Co., Ltd., Arvida, Que.

Light & Power Co., blames "continued... drastic increases in federal taxes" plus "higher costs of labor, materials, and equipment." These profit-squeezers, he added, had finally shaved his company's recent and prospective earnings to a "dangerously low level."

Crane's company is no poorly run, high-cost power producer either. Wall Street's utility experts have long considered it one of the most efficient.

• **Out of Pocket**—Meanwhile, rapidly expanding demand for juice poses a financial paradox for the utilities. Higher sales, of course, boost gross revenues. But there's a time lag. Before the new plants add to revenues, the money to pay for them has to be raised. And the rental on this money temporarily cuts down earnings per share.

If a utility system sells bonds to finance new plant, then interest obviously becomes a fixed charge—a charge that has to be met without commensurate return until the new facilities are in full operation. It's a little different with common stock, but the result is much the same. There is no fixed charge created ahead of the common, but the stock's equity in earnings is diluted because of the greater number of shares outstanding.

The table on page 146 shows how much of an impact financing of plant expansion can have on earnings.

Take Detroit Edison. Bond sales last year hiked fixed charges 10% above their 1950 level. Revenues showed a gain of 9%, but earnings were down 9% at the same time. In addition to the new debt, sales of new common stock upped the outstanding issue 16%, and per-share earnings last year dropped 23%.

• **More Power**—Since V-J Day, the industry has added 20-million kw. of new generating capacity, including 5.7-million in 1951 alone. It has added, too, a vast amount of transmission and distribution lines, substations, and the like. With all of this, the projected expansion isn't much more than half finished.

This year, for instance, should see 9-million kw. of generating capacity installed. Another 12-million is slated for next year, still another 8-million for 1954.

• **Carrying the Load**—More than 70% of this expansion is being handled by the privately owned utilities. They have spent some \$11-billion in the last six years. And it's going to take another \$7-billion or so to finish the job. The group has relied on retained earnings and depreciation accruals as much as they could to finance the costs. Even so, they have had to sell some \$6.4-billion of new-money securities in the postwar years. Since 1946, funded debt has risen 56% to around \$10.2-billion;



"Wrapping up" mobilization

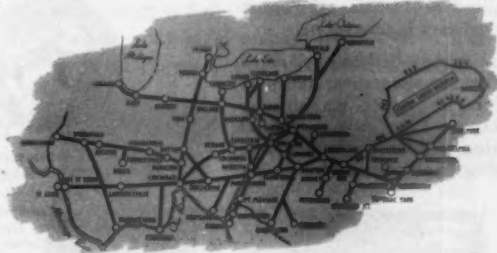
IN A VICTORY-LABELED PACKAGE

● As America mobilizes in defense of freedom, the paper industry plays an important role.

Paper and paper products in almost countless varieties *must* be supplied for the needs of business and industry—from order blanks to blueprints, from cards to cartons. Forests must fall to keep the paper mills humming. From the ring of the woodsman's axe or the whine of his saw to the roar of machinery in the mill, the paper industry is hard at work. These are days of emergency.

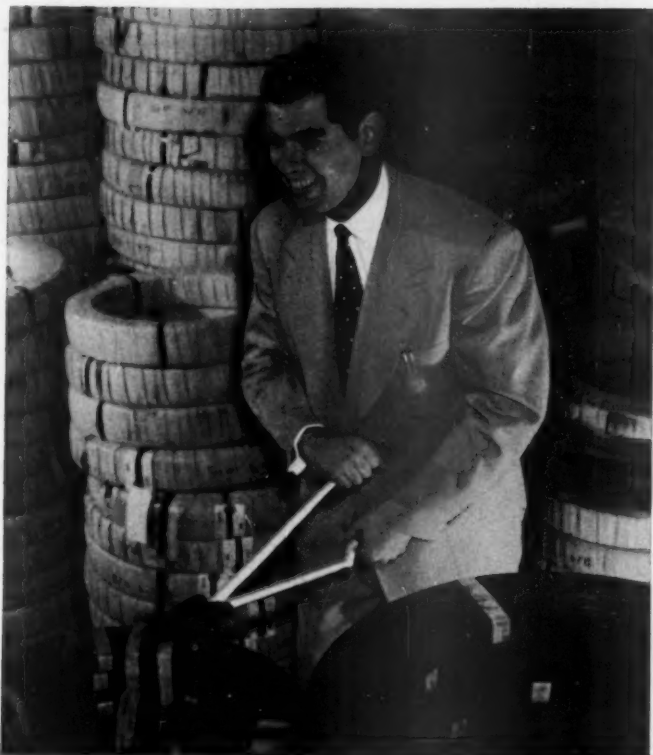
The Baltimore & Ohio Railroad takes pride in its ability to handle emergencies. We, too, have stepped up our pace. Our facilities and equipment have been improved and expanded. Better methods of freight handling and service

ing have been developed. We are taking the mobilization program in stride. Along with other American railroads, we again are proving that rail transportation is the backbone of our Nation's industrial might.



BALTIMORE & OHIO RAILROAD

Constantly doing things — better!



Get fast steel strapping service from Brainard!

BILL HOGANSON of San Francisco, like other Brainard Strapping System representatives, knows a good thing when he sees it!

Here, in Brainard's West Coast warehouse, Bill surveys a complete stock of various types and sizes of steel strapping, strapping seals, tools, and accessories. On most items delivery is immediate.

That makes Bill happy, since Brainard representatives sell *with service*. They are warehouse conscious. They give personal attention to your packaging and shipping problems, and see that

the right equipment is applied to your operations.

To improve your materials handling, call on Brainard. Representatives and warehouses located throughout the U. S.; in Canada, P. J. McArthur Company, Toronto.



COMPLETE STEEL STRAPPING SERVICE, LIGHT AND HEAVY DUTY STRAPPING, TOOLS AND ACCESSORIES



For new catalog on Brainard Strapping System write Brainard Steel Division, Dept. P-3, Griswold Street, Warren, Ohio.

WARREN, OHIO

preferred stock, 35% to over \$2.7-billion; and common 43% to \$5.4-billion.

- **New Money**—Last year 70%, or \$1.5-billion, of these costs were financed by new security sales. Bond offerings accounted for about 66% of this, preferred another 11.5%, and common stocks the remaining 22.5%.

- **The Outlook**—The size, and composition, of 1952's financing depend on two factors: the availability of construction materials and security market conditions. Wall Street currently estimates that utility new-money offerings will run around \$1.8-billion. Common stock sales are expected to be about \$400-million, or 22%. And preferred sales are expected to supply \$300-million, or 17%.

- **A Cushion**—Obviously, the trade would never have built all the new facilities if it didn't expect that in time they would greatly strengthen earning power.

Some experts feel that many of the new facilities already are more than paying their way. Their argument goes like this: Net earnings would be decidedly lower than they are now if it weren't for the new facilities erected since V-J Day.

Use of this cheaper-to-operate equipment, they claim, has lately been offsetting more and more the persistent up-trend in operating costs and taxes.

- **Rate Increases**—The utilities, however, haven't been at all happy about the erosion of their profit margin.

More companies than ever before have been asking regulatory authorities for rate increases. Last year over 70 took the step, compared with only 32 in 1950. Included were companies that hadn't asked for rate hikes for as long as 25 to 30 years.

- **Still Attractive**—In spite of everything, though, utility stocks lately have been among the stronger segments of the stock market (page 159). Actually, at the moment they are one of the few major groups still considered by most everyone to be reasonably priced and attractive. And here's why:

Utility shares are traditionally "defensive securities." History has proved that they offer better-than-average stability of revenues, earnings, and dividends in bad times, though less in the way of spectacular gains during booms (since the twenties).

Thus, as was true until recently, they are rarely popular during bull markets, especially those touched off by inflation fears.

It's different when investors and traders begin to sense deflation ahead. Then they start turning to the utilities. Deflation normally has a beneficial effect—for a time at least—on that trade's earnings. Since its rates are fixed, they can be changed only slowly. So profit margins widen as costs deflate.



One operator does the work of two. One keyboard operates both machines because the card punching is synchronized with the accounting machine keyboard.

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with Remington Rand Synchro-Matic

One! Top efficiency in handling your payables accounting:

- All voucher copies and purchase journal posted in one simple, high-speed operation with automatic proof for each entry
- Vouchers posted and checks written as needed
- Work always up to date, enabling you to take maximum discounts

Two! Fast, accurate summarized facts to help you CONTROL your expenditures

- Electrically synchronized punch *automatically* prepares a detailed punched-card record of each transaction as operator posts to vouchers
- Cards thus produced can be tabulated for any distributions or analyses your business requires.

If you already own or rent Remington Rand Punched-Card Machines, Synchro-Matic will help you get even greater output from them. Or, you may contract the tabulating end of the job to Remington Rand Business Services—for convenient, economical preparation of reports and statistics. Phone or write us for full details.



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to institutions and private
investors.

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INCORPORATED

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NEW YORK 5



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Lenders Take Over

**Insurance companies put
in their own men to manage
properties oil man McCarthy
had pledged against loans.**

Even the shrewdest lenders sometimes make bad loans. One of those misjudgments popped up last week in the annual report of the Equitable Life Assurance Society—which since the war has loaned about \$35-million to companies controlled by Texas oil man Glenn McCarthy. (Mighty Metropolitan Life Insurance Co., which has reportedly loaned McCarthy about \$20-million, made no reference to the loan in its annual report.)

• **Two Years Behind**—The Equitable report stated that for the last two years McCarthy Oil & Gas Corp. has been unable to make amortization payments on those loans that are secured by oil and gas properties. Equitable has had one of its investment experts, Warner H. Mendel, running things at the oil company ever since McCarthy defaulted. Equitable hasn't foreclosed. It has carried out what lawyers call a "mortgagee in possession" procedure, hoping to get operations back on a sound financial basis.

However, McCarthy has been paying off the \$5-million mortgage that Equitable has on his Shamrock Hotel in Houston. The loan is reported to have been reduced to about \$4.6-million.

• **Another Creditor**—Metropolitan Life has also been disappointed by the 45-year-old oil operator, who looked like a good bet a few years back. Although Met won't talk, it is reported to have loaned McCarthy Chemical Co. \$15-million. As late as mid-1950, it loaned a subsidiary of McCarthy Chemical, New Ulm Corp., \$5-million. But about a year ago Met put in its own appointee, accountant Russell M. Riggins, as president of both companies.

• **Prospector**—During the '30s and '40s McCarthy made millions in wildcat oil ventures. Right after the war he started building the Shamrock, a fabulous hostelry that is supposed to have cost him about \$21-million. And he formed McCarthy Chemical to produce synthetic fuels and chemicals out of natural gas.

His financial troubles seem to have started with his chemical venture. McCarthy Chemical's main plant at Winnie, Tex., proved a flop. No way was found to iron out technical bugs in production, so about two years ago the plant was closed down (BW—Feb. 24 '50, p. 24). How much money McCarthy sank in this venture has never been revealed, but it must have been plenty.

On top of this, income from his oil properties dropped off, as Texas officials cut down allowable output of the state's oil wells.

• **Still Alive**—But McCarthy doesn't faze easily. Early this winter he was over in Egypt trying to work out a deal under which he would develop about 5-million acres of oil land in the Sinai Desert. His latest venture: a plan to build a TV station in Guatemala, sell TV sets.

Banks Consider Issuing Preferred Stock

Banks may soon begin offering new issues of preferred stock. But this is no rescue party—such as that in 1932 when the Reconstruction Finance Corp. poured funds into banks all over the country. It's simply that banks need more capital funds to match their growing business volume.

Already, a bank in Passaic, N. J., has set the ball rolling. Bankers wouldn't be surprised if this marked the start of a trend. Banks' common stocks generally are selling at sizable discounts from book value (BW—Jan. 19 '52, p. 146)—mainly because of the relatively low return on bank capital. Rather than dilute the equity of existing stockholders, banks may give the call to preferred.

More than that, convertible preferreds may win the nod over regular preferred issues. Convertibles, in effect, have the virtue of anticipating higher prices on the common.

• **Passaic Case**—This kind of reasoning appears to have influenced the fast-growing Bank of Passaic & Trust Co. This bank has more than tripled its deposits since 1943; the ratio of deposits to capital funds is about 18 to 1, a bit higher than average. So the bank would like more capital. Yet its common stock is now around \$78 bid, while yearend book value was \$129 a share.

The bank decided to follow the example of industrial growth companies (BW—Sep. 29 '51, p. 128) and issue \$25 par convertible preferred. President Thomas E. Prescott hopes that the 3½% rate will appeal to savings depositors.

• **Convertible**—Approved by stockholders, this week the new issue will be convertible into common at the rate of five preferred shares for one common share. The market price of the common would have to climb a long way before conversion would become profitable. But Prescott points out that when the bank issued 9,000 convertible preferred shares back in 1943, the issue was all converted within three years. In the same period, the market



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price of the common rose from \$40 to \$75 a share.

However, the bank hasn't found any short cut to cheap capital. On the basis of the 1951 common dividend of \$3 a share, which figures out to a yield of about 3.8% at the present price, the bank is paying preferred stockholders almost as much as common stockholders. And it's adding \$35,000 a year to fixed costs.

FINANCE BRIEFS

They're still saving: Deposits in mutual savings banks climbed \$126-million in January, compared with \$22-million during the same 1951 month.

The Treasury's \$1-billion bond offering (BW-Feb.23'52,p124) was accepted by holders of about 90% of the maturing issue—which means that investors figured the new issue was priced about right.

New stock issues, current and proposed: \$22.4-million convertible preferred by United Air Lines; 611,000 common shares of Texas Eastern Transmission, which should bring over \$10-million; \$10-million El Paso Natural Gas convertible preferred; \$15-million Ohio Edison preferred; \$6-million Rochester Gas & Electric preferred.

Food retailers are reporting sharply reduced 1951 earnings (BW-Jan.26'52,p156). Safeway earned \$7.6-million, compared with \$14.7-million in 1950. National Tea earned \$3.6-million in 1951, \$5.2-million the year before. Hunt Foods earned \$2.6-million, compared with \$4.8-million in 1950.

Wall Street had slimmer earnings, too. Merrill Lynch earned about \$9.5-million, down from its record \$12.5-million in 1950, but still its second-best year. First Boston Corp. earned \$2.1-million, compared with \$2.8-million the year before.

Sigmund Janas, former president of Colonial Airlines, is fighting the proposed merger with National Airlines (BW-Dec.29'51,p84). He says Eastern Air Lines has made Colonial a better merger offer.

The war catastrophe pool planned by U.S. life insurance companies (BW-Dec.15'51,p126) has been held up a while. The life insurance companies want to study it further.

Dividend casualty: R. H. Macy & Co. directors cut the quarterly dividend from 60¢ to 50¢.

BUSINESS IN MOTION

To our Colleagues in American Business ...

Revere began to make aluminum extruded shapes in 1922, and hence has had thirty years of experience with the metal. During those years it has gained invaluable experience, and has installed new equipment in order to expand the list of aluminum mill products it offers to industry. This expansion has been conducted at an accelerated pace during the past ten years. Today it may come as a surprise to some people that Revere's present installed capacity makes it the largest independent fabricator of aluminum in the United States.

Revere is sometimes asked why we should have sought the same position in aluminum alloys that we occupy in copper and copper-base alloys. The fundamental reason is a simple one: we wished to increase our service to industry, which is demanding more and more metals of every kind. Thirty years ago we recognized the growing importance of aluminum, and we also perceived that aluminum and copper are in many ways complementary metals. Being able to offer both means that Revere can be impartial in recommending the one most certain to give the best results in a given application.

So successful has been our experience with aluminum that we are now pursuing a comprehensive program of expansion in regard to it. In one of the Revere plants in Baltimore, new aluminum rolling mills and annealing furnaces were installed before

Korea, making possible tripled production of coiled sheet. Right now, in another Revere Baltimore plant, new extrusion presses and draw benches are being put in place. Equipment for the production of aluminum coiled sheet was installed in our Detroit plant over a year and a half ago. In about a year, the Los Angeles mill, now working with copper and copper-base alloys only, should begin to produce aluminum tube and extruded shapes in both the heat-treated and non-heat-treated alloys.

These plans to increase materially the Revere output of aluminum mill products will make them more quickly and easily available in various industrial centers. Here is evidence of our belief that the future of aluminum is as great as that of copper. Each has its place, in peace as well as war.

Revere's thirty-year growth in aluminum is in the American tradition of freedom to seek new ways to serve customers. It is typical of the business world, for in many thousands of companies the original products or lines have been expanded to include more or less related items. So we suggest that no matter what you buy, you ask your suppliers if they have other materials or products that would be of value to you. The more you know about what your suppliers make, the greater the possibility of improving your products or productivity.



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POINTING the WAY To Continuing Prosperity

The set of figures in the middle of this page is news of high importance to every American.

In effect, it says that there is no basis in fact for all this talk about a collapse of capital expenditures plunging us into a depression following the industrial build-up for defense.

Such talk assumes that without defense orders business would spend relatively little for new industrial plant and equipment. The figures below show that that assumption is not justified.

penditures in 1953, 1954 and 1955, provided the money to carry them out can be obtained.

A Record in '52

As was expected, their plans call for another record-breaking volume of capital expenditures by business in 1952. But, as many did not expect, the McGraw-Hill survey also discloses plans for very heavy capital expenditures in each of the three years following. Expenditures now planned for those years are, to be sure, lower than those planned for 1952. But the significant fact is not that

BUSINESS PLANS FOR NEW PLANTS AND EQUIPMENT (Millions of Dollars)

| | Actual Spending 1950* | Actual Spending 1951* | McGraw-Hill Survey | | | |
|---------------------------------------|-----------------------------|-----------------------------|--------------------|-----------------------|--------|--------|
| | | | Planned | — Preliminary Plans — | | |
| | | | | 1952 | 1953 | 1954 |
| Manufacturing | 7,491 | 11,141 | 12,921 | 10,028 | 8,525 | 8,194 |
| Mining | 684 | 806 | 943 | 415 | 321 | 358 |
| Railroads | 1,136 | 1,564 | 1,642 | 1,248 | 1,117 | 1,002 |
| Electric & Gas Utilities** | 3,298 | 3,676 | 3,948 | 3,360 | 3,204 | 2,748 |
| Other Transportation & Communications | 1,392 | 1,592 | 1,721 | 1,671 | 1,943 | 1,839 |
| ALL INDUSTRY | 14,001 | 18,779 | 21,175 | 16,722 | 15,110 | 14,141 |

*U. S. Department of Commerce

**Electrical World (A McGraw-Hill publication) and American Gas Association.

The figures come from the fifth annual McGraw-Hill survey of business plans for new plant and equipment. Companies were asked to report through that survey not only their plans for 1952, but plans they now have in hand for capital ex-

penditures in 1953, 1954 and 1955, provided the money to carry them out can be obtained.

they are lower. Experience shows that plans made several years ahead always overlook many expenditures that are needed later.

The significant fact is that the expenditures already planned for 1953-55 are so high. For example,

those now planned for 1955 would be higher than those of 1950, which, at that time, were second highest in our history.

If these plans are carried out we shall have an essential element of continuing prosperity. Sustained expenditures for capital expansion and betterment account directly for a large share of our employment and consumer income. Moreover, consistent modernization of industrial plant raises production efficiency and brings more and better goods and services within reach of more consumers.

It is not to be expected, of course, that we can come down from the peak of the defense boom without readjustments in some sectors of business. But if capital expenditures by business are carried out on the scale now planned, we shall be able to take any necessary readjustments in our stride, and continue to increase our industrial strength.

From V-J Day to the end of this year, manufacturing industries will have spent over \$60 billion for new industrial plant and equipment. This is more than the value of all the plant and equipment these industries had on their books at the end of World War II. It is this heavy outlay that causes some, assuming most postwar plans for industrial expansion and modernization will be completed, to fear a collapse of capital expenditure.

Plans to Go Ahead

But American industry still has plans to go right ahead expanding and improving its facilities. This was the most striking single finding of this year's survey.* It disclosed also that after 1952:

- 83 per cent of the companies answering the survey are planning substantial further modernization.

- 48 per cent will need more capacity to make their present products.

- 33 per cent plan additional capacity to make new products.

It cannot be too strongly emphasized, however, that these plans represent what American industry wants to do. They are a concrete expression of hope and aspiration. As such they are extremely important, for they dispose of the idea that business considers the job of expanding and improving its facilities as finished, or anywhere near finished.

But the plans carry no guarantee of accomplishment. If they are to be realized, business must have

the funds to carry them out. There is no assurance that the money will be available if the present level of corporation taxes is continued. Eight out of ten companies, according to the McGraw-Hill survey, will rely entirely on profits and reserves to finance their 1953-55 programs. So, in calculating their programs for these years, the companies were asked to assume relief from "excess profits" taxation.

Federal taxes now take at least 52 per cent of a corporation's profits, and 82 per cent of any profits in the so-called "excess profits" bracket. Despite this drain on their funds, companies are able to finance their 1952 programs because (1) they are borrowing heavily, and (2) many of them are getting government loans or special tax concessions on new facilities installed for defense purposes. But these are emergency aids.

Only Two Ways

When the present defense program tapers off, there will be only two ways by which business can possibly increase its principal source of funds for new plant and equipment. One way is to make more profits before the tax collector takes his cut. And the only way many companies, already operating at capacity and high efficiency, can do that quickly is by raising their prices. That is an unpopular method. Also, with the return to more competitive markets, it might be self-defeating.

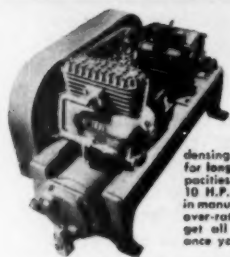
The other way is for the federal government to release its strangle hold on business profits. The so-called "excess profits" tax—the 82 per cent tax which is really a tax on business growth—should be repealed, effective January 1, 1953. And a cut in the basic tax of 52 per cent on all corporate profits should come not much later. That is by all odds the most important single step toward assuring that business plans already made for capital investment in 1953, 1954 and 1955 are carried out. It is the most important single step toward sustaining our present prosperity.

Through its plans for continued expansion and improvement of its facilities, American business clearly points the way to avoid the depression that so many have feared—and the Communists have so ardently hoped—would follow the peak of defense mobilization. It will be a tragedy for our country and for Americans in every walk of life if we do not insist that business get the chance to follow this wise and constructive course.

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*Note—A copy of the full report of this survey can be obtained by addressing: Department of Economics, McGraw-Hill Publishing Co., Inc., 330 West 42nd St., New York 36, N. Y.

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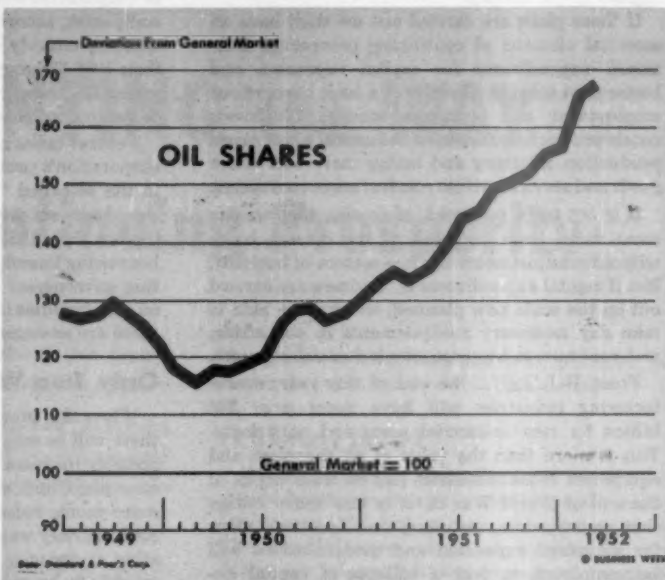
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THE MARKETS



Oils Sitting Pretty—For Now

The bull market has been having its ups and downs lately. But there is at least one serene bunch of bulls—the people who have been putting their money in oil stocks during the past two years or so.

• **Budding Romance**—The oils have turned out to be one of the top growth groups in the bull market (page 159). In fact, since early 1950 they have done better than industrials as a whole, whether the market was going up or down (chart).

In late 1949 and early 1950 the group lost a little ground, in relation to the general market. But even before Korea, the oils began to look good to investors. And it has been a romance ever since.

• **Still Interested**—The chart doesn't mean, of course, that the oils have held all their bull market gains. Prices have dropped a bit in the last few weeks; but the general market has dropped faster. Speculative interest in oils is far from dead.

Some of the best performers have been American Petroleum, Shell Oil, and others that have leases in the Williston Basin of eastern Montana and the Dakotas, where a big new field seems to be coming in. But the interest has spilled over into companies outside the industry, such as Northern

Pacific Ry., that have property in the Williston area.

• **Hedging?**—Why have the oils been so popular? You hear a lot of talk about oils being a hedge against inflation. Their biggest asset, of course, is oil in the ground, which presumably appreciates in value with inflation. That may be true over the long run. But it's interesting to note that crude oil prices haven't changed since 1947.

So you can bet that what has really attracted most investors has been the oil companies' earnings and dividends in the last few years. You might expect that, with crude prices stable, the industry would be bothered by a cost squeeze, as has happened in so many other industries.

• **Tax Advantages**—But for the oil industry as a whole, 1951 income was excellent. And it should be as good in 1952. What's happened is that profits have benefited from the rapid rise in output of crude oil. As production climbed, the industry's depletion allowances—which can be deducted from taxes—were magnified.

Those depletion allowances give the industry a sizable advantage in a time of high taxes, as every Wall Streeter knows. In addition to the normal deductible operating costs, the companies may deduct 27½% of gross income

from any oil-producing property as a depletion allowance, provided this allowance isn't more than 50% of net income before taxes.

Some Wall Streeters believe the oils are overpriced, of course. They argue that peace in Korea would cut military consumption. And they figure that the Iranian fields may soon be back in production.

• **There'll Come a Day**—The bulls argue that a cease-fire in Korea would not cut military demand appreciably.

A lot of them figure that Iran has lost its oil market permanently to other Middle Eastern areas and to South American producers who have taken up the slack.

But there is at least one trouble the oil industry is going to run into some day. Right now most U.S. oil is produced from older wells. Most newer oil finds cost more to develop. So costs of producing oil are rising. This means that the squeeze on the oil industry is bound to get tighter.

The Score on the 1949-52 Bull Market

| Stock Group | Standard & Poor's Weekly Indexes (1935-39 = 100) | | 1949-52 Bull Market Gains | |
|---------------------------------|--|----------------------|---------------------------|---------------|
| | June 1949 Low | Range Since High Low | Recent Level | Maximum Now |
| Leather | 58.9 | 238.4 58.9 | 178.7 ^a | 304.8% 203.4% |
| Paper | 218.5 | 622.9 223.8 | 559.8 | 185.1 160.8 |
| Tires and rubber | 157.0 | 450.4 138.8 | 405.0 ^a | 186.9 158.0 |
| Bituminous coal | 190.9 | 485.5 194.3 | 474.5 | 154.3 148.6 |
| Fertilizer | 188.3 | 493.6 193.5 | 452.5 | 162.1 140.4 |
| TV and electronics | 115.0 | 283.3 119.3 | 272.4 | 146.4 136.9 |
| Oil | 148.4 | 352.7 150.3 | 326.3 | 137.7 119.9 |
| Ethical drugs | 113.9 | 274.1 113.9 | 248.3 | 140.6 118.0 |
| Rayon | 253.3 | 634.3 259.3 | 518.6 | 150.4 104.7 |
| Low-price commons | 102.4 | 235.5 104.1 | 204.9 | 130.0 100.1 |
| Mining and smelting | 70.3 | 148.2 70.4 | 137.0 | 110.8 94.9 |
| Copper | 96.2 | 205.7 99.0 | 186.3 ^a | 113.8 93.7 |
| Chemicals | 121.9 | 258.2 124.4 | 229.2 | 111.8 88.0 |
| Steel | 104.6 | 236.5 105.4 | 194.6 ^a | 126.1 85.0 |
| Automobile | 106.3 | 207.8 106.4 | 191.0 ^a | 95.5 79.7 |
| Railroads | 87.0 | 163.0 88.1 | 155.3 | 87.4 78.5 |
| Aircraft manufacturing | 96.8 | 196.0 99.5 | 171.3 | 102.5 77.0 |
| Capital goods | 103.4 | 199.0 104.7 | 181.4 | 92.5 75.4 |
| Distillers | 249.4 | 510.9 249.9 | 424.3 | 104.9 70.2 |
| All industrials | 115.6 | 207.5 117.2 | 195.5 | 79.5 69.1 |
| Industrial machinery | 97.3 | 170.6 98.6 | 162.1 | 75.3 66.6 |
| Air transport | 201.5 | 402.4 210.0 | 335.1 | 99.7 66.3 |
| Electrical equipment | 86.0 | 159.1 86.3 | 140.5 | 85.0 63.4 |
| COMPOSITE INDEX | 110.7 | 189.7 112.0 | 180.4 | 72.2 61.1 |
| Farm machinery | 106.0 | 182.3 106.0 | 169.9 | 72.0 60.3 |
| Metal fabricating | 90.3 | 174.9 91.7 | 144.0 ^a | 93.6 59.5 |
| Building materials | 100.0 | 170.0 101.0 | 156.7 | 70.0 56.7 |
| Office and business equipment | 140.2 | 237.4 141.0 | 217.5 ^a | 69.3 55.1 |
| Shipping | 359.6 | 568.7 359.6 | 556.5 | 58.1 54.8 |
| Auto parts and accessories | 96.5 | 158.3 98.5 | 147.2 ^a | 64.0 52.5 |
| Sugar | 79.7 | 132.2 81.1 | 120.3 | 65.9 50.9 |
| Lead and zinc | 85.1 | 150.0 83.1 | 128.2 ^a | 76.3 50.6 |
| Shipbuilding | 157.2 | 245.8 164.4 | 231.0 | 56.4 46.9 |
| Department store | 178.6 | 287.4 178.6 | 255.7 ^a | 61.4 43.2 |
| Glass containers | 91.7 | 148.3 92.3 | 130.3 ^a | 61.7 42.0 |
| Consumer goods | 115.3 | 174.3 116.9 | 163.6 | 51.2 41.9 |
| Textiles | 191.0 | 301.1 193.3 | 269.4 | 57.6 41.0 |
| Mail order and general chains | 162.1 | 260.4 162.8 | 224.8 ^a | 60.7 38.7 |
| Finance companies | 96.5 | 133.8 94.5 | 133.8 | 38.7 38.7 |
| Metal containers | 70.5 | 99.7 70.7 | 93.5 | 41.4 32.6 |
| Railroad equipment | 74.8 | 110.7 75.3 | 98.8 | 48.0 32.1 |
| Natural gas | 166.2 | 222.2 166.2 | 218.6 | 33.7 31.5 |
| High-grade commons | 108.7 | 150.2 109.9 | 142.8 ^a | 38.2 31.4 |
| Utilities | 92.3 | 118.4 92.5 | 117.1 | 28.3 26.8 |
| Food companies | 115.6 | 156.3 116.4 | 145.4 | 35.2 25.8 |
| Food chains | 180.7 | 257.6 181.0 | 226.7 | 42.6 25.5 |
| Proprietary drugs and cosmetics | 123.5 | 168.0 123.5 | 154.1 | 37.0 24.8 |
| Motion pictures | 143.9 | 182.9 130.5 | 163.2 | 27.1 13.4 |
| Printing and publishing | 98.1 | 134.4 102.5 | 109.0 | 37.0 11.1 |
| Shoes | 106.9 | 125.5 108.8 | 112.4 ^a | 17.4 8.1 |
| \$4, 10¢, \$1 chains | 122.9 | 137.8 123.5 | 123.3 ^a | 12.1 0.1 |
| Tobacco | 81.0 | 92.1 74.3 | 76.4 | 13.7 -5.7 |
| Soft drinks | 108.9 | 139.4 92.9 | 101.2 | 28.0 -7.1 |
| Gold mining (U.S.) | 64.8 | 82.6 52.1 | 57.4 | 27.5 -11.4 |

* New 1952 lows.



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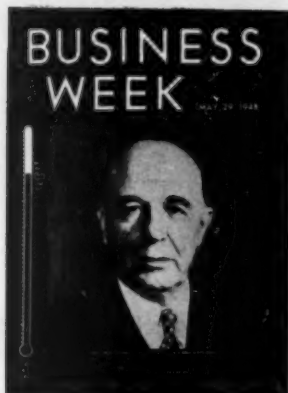
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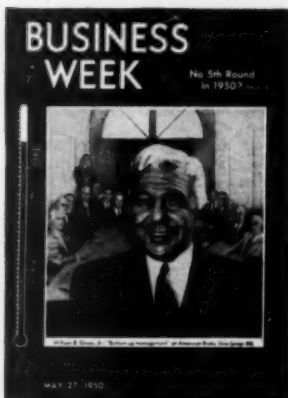
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G. M. Ties Wages to C. of L.

Contract with C. I. O. auto workers also tacks on annual 3¢ boost to increase living standard. Total adjustment means 11¢ raise now. Formula may set national pattern.



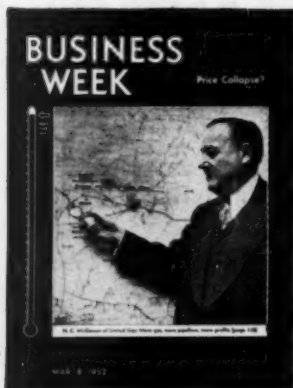
Two years later, this led to a...

Five-Year Plan for Labor Peace

Everybody gave in a little on just about everything, so UAW and GM have come up with what looks like the model labor contract. It provides for pensions, a modified union shop, pay hikes.

NOW...

Steel Raise May Test C-of-L Formula



How will workers react if cost-of-living raises fall behind bargained increases? That problem is just a speck on the management-labor horizon now, but it could blow up into a storm.

So far, companies and unions with "escalator" contracts that tie wages to the cost of living have had pretty fair sailing. Almost without exception, they've lived peacefully under their c-of-l clauses for four years. Their workers have kept abreast—if not ahead—of bargained raises.

Now signs point to a substantial hike in steel pay (page 22). That would inevitably lead to similar raises in other industries where bargaining isn't curbed by c-of-l clauses.

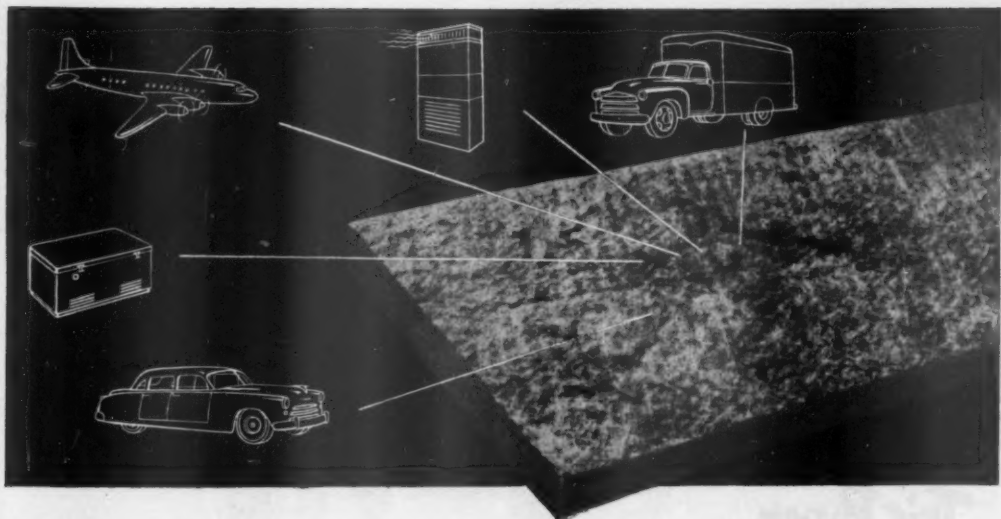
• **For the Record**—The pioneer advocates of "escalator" pacts aren't par-

ticularly worried yet. General Motors and the United Auto Workers (CIO) still think they have a sound case for their four-year-old c-of-l plan.

Back in May, 1948, GM put before UAW an idea that had been simmering in GM executive offices for a long time. Walter Reuther was in the hospital recovering from gunshot wounds. Union aides dealing with GM voiced some minor objections, then accepted GM's proposal. Wages were tied to the rise and fall of the cost-of-living index.

Later, Reuther objected to the terms of the contract. He would never have accepted it, he told UAW members, had he been at the bargaining table.

Two years later Reuther signed a five-year contract with GM, continuing



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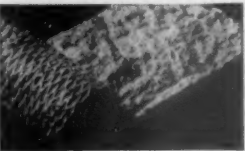
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the c-of-l clause in effect and with an annual "improvement factor" raise to compensate workers for their greater productivity.

Critical no more, Reuther described the new agreement as "historic . . . the greatest step forward in auto-union history."

The c-of-l pact stirred a lot of condemnation at first. Employers charged GM with "selling out" to labor. Some criticism still comes from the minor left-wing faction in UAW—which thrives on labor unrest and militance—and from some of Reuther's factional foes. But in the rank-and-file, almost everybody is satisfied with the performance of GM's "escalator" so far.

• **No Lag**—For four years wages in GM have risen automatically, without the disturbing effects of recurrent wage talks, just about as much as pay has risen in direct bargaining procedures between other companies and other unions.

Last week's c-of-l increase of 3¢ an hour (BW—Mar. 1'52,p126) rounded out four years of the GM-UAW plan. In this time, UAW members in GM have collected automatic raises adding 30¢ an hour to their May, 1948, rates—19¢ in additional c-of-l raises (they got a 5¢ c-of-l adjustment in May, 1948, as part of an 11¢ third-round settlement) and 11¢ in productivity increases.

The 30¢ total compares with an average 20¢-an-hour increase since third-round settlements in all manufacturing industries.

• **Steel and Coal**—In steel, up to now, workers have had only one direct wage increase since May, 1948: 16¢ an hour in December, 1950. The steelworkers settled for a company-financed pension plan in 1949. If the steelworkers get an 18¢ increase, UAW doesn't expect to trail the steel union long. Even if the c-of-l stands still, under the GM contract workers are due a 4¢ "improvement factor" raise next June 1.

In the coal industry, John L. Lewis' miners collected 8.75¢ an hour in March, 1950, and 20¢ an hour in January, 1951, for a total 28.75¢ increase since the third wage round. Lewis is out for more (BW—Feb.23'52, p30), but UAW isn't worried about running behind the United Mine Workers, either.

• **Sliding Index**—On paper, the GM workers are now getting a 24¢-an-hour c-of-l bonus, including the 5¢ made a part of their third-round raise (BW—May29'48,p96). Of the 24¢, 19¢ can be wiped out by a tobogganing c-of-l index. This is what remaining union critics of the c-of-l pact carp at most frequently.

So far, the quarterly c-of-l index has dropped enough to affect GM wages on only three occasions in four years.

Workers took 2¢ pay cuts without complaining in March, 1949, and March, 1950. The other time, in June, 1949, a 3¢ productivity increase offset a 1¢ c-of-l pay cut and still gave workers a 2¢ raise.

• **"Escalator" Gains**—Particularly since the start of the Korean War, other employers and unions have been turning from periodic bargaining on wages to escalation. In September, 1950, c-of-l contracts covered only 800,000 workers—mostly in the auto industry. Last September "escalator" pacts covered almost 3-million.

No Exaction

NLRB counsel says it's not a violation of Taft-Hartley for union to demand unjustified travel pay.

A union can legally demand travel pay and subsistence allowances, even if the payments aren't justified by unusual travel conditions. General counsel George J. Bott of the National Labor Relations Board says such demands don't violate the Taft-Hartley act—which bars union efforts to force an employer to pay money "in the nature of an exaction" for work not performed.

• **Construction**—The Bott ruling is significant in view of the increasing importance of travel pay and subsistence allowance demands in construction and other industries.

A company (NLRB did not disclose its identity) got a contract to install insulation on a building project. Its union demanded that the company pay workers on the job their regular wages plus an additional sum every day to cover room and board, and transportation costs from the company's home city to the outlying building site.

The company refused. It argued that, of seven workers assigned to the job, five lived in the city where the work was being done, and the other two lived within 15 miles of the site.

The union retorted that it doesn't matter where the workers actually live; their "home" is to be considered to be the city in which the company and union maintain regular operations. The union struck.

• **Counterattack**—Although the company eventually granted the union demand, it asked Bott to issue an unfair-labor-practice complaint, alleging the union had violated Section 8 (B) (6) of T-H, the so-called anti-featherbedding clause.

Bott refused to issue the complaint, holding the case did not come within the type of situation an anti-featherbedding clause was written to cover.



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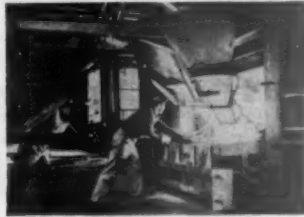
1 Looking through this L·O·F Shaded E-Z-Eye Safety Plate Glass Windshield, you could see roads dustproofed with WYANDOTTE calcium chloride, or paved with our CaCl_2 in the concrete . . . posters with our products in ink and paper . . . fields sprayed with our insecticides . . . cars with our products in rubber, antifreeze, finishes, fuel.



2 You can't look through it; but wherever you see L·O·F Fiber-Glass, you'll know (as does L·O·F executive J. M. Johns, left) that WYANDOTTE helps this fabulous product make plastics steel-strong; insulate aircraft; buoy up the Navy's life preservers!



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In this photograph, L·O·F's president, J. D. Biggers (left), inspects another glass triumph*. Wherever you look, remember that Wyandotte is working for you in hundreds of other things you touch, see . . . even eat!

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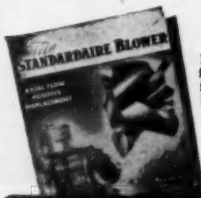
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MACHINIST training ranks have increased by 8% during the past five months . . .

More Apprentices, but Still

Industry is losing skilled metalworkers at a faster clip than it's getting replacements. That's the long-time gripe of the metal trades people, who are alarmed at the declining supply of skilled men (BW-May 12 '51, p. 32).

Lately, the picture has brightened up a bit. The U.S. Bureau of Apprenticeship says that the number of apprentices is increasing. There are 12% more trainee machinists, tool-and-die makers, molders and coremakers, and patternmakers than five months ago.

But the metalworking industries feel that the stepup in apprentice training didn't come a bit too soon. To show what they mean, they point to some figures that have just come out of Massachusetts.

Two weeks ago the Commonwealth of Massachusetts published the results of its first actual noscoun of journeymen and apprentices. The survey showed that between Feb. 1, 1949, and Feb. 1, 1950:

- Massachusetts' metalworking industry lost 1,636 skilled toolmakers and machinists—about 11% of the 15,000 skilled metalworkers in the state.

- Only 816 trainees were listed in formal and informal apprenticeship programs.

- **Disturbing Ratio**—That's an apprenticeship ratio of one trainee for about 16 journeymen—a "disturbing" ratio that the National Tool & Die Manu-

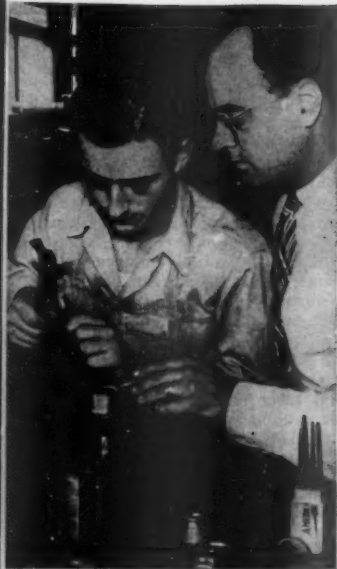
facturers Assn. says is common throughout the country. The Bureau of Apprenticeship says the industry should have at least a one-to-ten ratio; NTDMA says a three-to-ten relationship would be better.

On the rosierest possible assumption—that all 816 Massachusetts metalworking apprentices "graduated" during the year—state firms had only half enough trainees to fill jobs as they opened up.

Obviously, all the apprentices didn't finish training in the same year. Most courses last several years, so probably no more than 275 trainees were ready to take over journeymen jobs. The net loss must have been far greater than 820.

- **New Order**—Moreover, roughly half of the apprentices in Massachusetts were taking informal training—the kind set up by an employer who says to a skilled worker, "Hey, Dick, see what you can show this kid." Given enough personal attention, apprentices in informal programs can turn into skilled workmen. But most never get the rounded training they need.

So both the size and the quality of the potential replacement force are a worry for the metalworking industry. That's particularly so because the age of present skilled workers indicates that heavy losses will continue. The Massachusetts survey showed 15% of all machinists and 17% of all tool-and-die workers are over 60; 51% of the ma-



TOOL-AND-DIE training—rose 20%.

Not Enough

chinites and 48% of the tool-and-die craftsmen are over 45.

Young replacements are needed, but they aren't being trained. The Massachusetts Advisory Apprenticeship Committee checked every one of the 1,100 metalworking companies in the state during its survey. It got 1,073 replies to its questionnaires. Of the 1,073 employers, 116 (10.8%) said they had formal apprenticeship programs; 167 (15.6%) had informal training programs; and 790 (73.6%) had none.

• **Campaign**—For a state that boasts of its large reservoir of versatile, highly skilled metalworkers, the survey findings were alarming. The Massachusetts Development & Industrial Commission and other groups called on metalworking firms and their unions: (1) to set up new apprenticeship programs and to extend existing ones; (2) to make apprenticeship training more appealing to a higher-type youth; and (3) to extend and improve state trade schools.

Much the same situation exists in other states, and in other industries. Efforts to relieve it had been in large part responsible for progress in recent months in the national expansion of apprenticeship training.

Of the average 12% increase in trainees for critical occupations since last October, tool-and-die apprenticeship increased by 20%; machinist training by 8%; molder and coremaker

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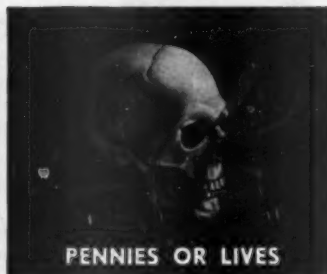
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training by 74%; and patternmaker apprenticeship by 64%.

• **On the Profit Side**—The increase reversed a downtrend that began in mid-1950. The number of apprentices in training dropped sharply then because: (1) The bulk of the extra-large number of apprentices who entered training right after the war finished their courses; (2) the draft, which at first gave no deferments to apprentices, began snapping up the young trainees; and (3) expanding industrial employment demands opened good-paying factory jobs to young workers who otherwise would have entered apprenticeship programs.

Employers have now got relief from the draft problem. In January Truman extended deferments to apprentices who meet certain requirements—similar to those of college students.

The big hitch now is that potential apprentices are reluctant to enroll in training programs—meaning up to three or more years of hard work at trainee rates—when they can get journeyman pay in factories.

LABOR BRIEFS

Compulsory retirement at 68, supposed to have gone into effect in General Motors on Jan. 1, has been deferred until July, and may then be postponed again. Tight manpower is one reason; new and more liberal social security rules that become effective in June also are a factor.

Ignore pay curbs, the United Electrical Workers urges 16 unions that deal with Westinghouse and General Electric—including the rival CIO union in the field. UE says the unions should act jointly "to end the wage freeze and restore collective bargaining." They won't.

Hiring hall operated under a labor-management agreement in Seattle illegally barred two nonunion applicants from jobs, NLRB decided last weekend. It ordered the Waterfront Employers of Washington and the longshoremen's union to make up pay losses of the two men.

Red-ore miners in Republic Steel's Birmingham iron mines have voted 209-195 to stay in the left-wing Mine, Mill & Smelter Workers. They rejected CIO's steel union, which two years ago won over Tennessee Coal & Iron's red-ore miners.

New president of AFL's printing pressmen is Thomas E. Dunwoody, for 30 years director of the union's technical trade school at Pressman's Home, Tenn. He succeeded J. H. de la Rosa,

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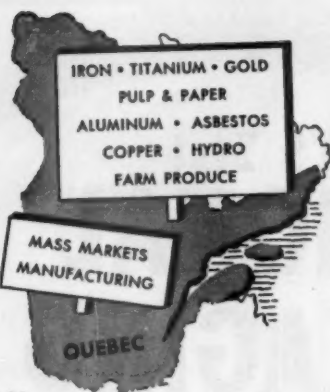
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Work injuries increased about 9% in 1951, with manufacturing leading the rise with 20% more lost-time injuries. About 42-million man-days were lost—equivalent of 140,000 full-time employees off jobs for an entire year. Increased employment, longer hours of work, greater use of less-skilled labor are blamed for the year's 2.1-million lost-time accidents.

More for Builders

Proposed 22½¢-an-hour package raise for construction workers may push up plant expansion costs.

Wages of on-site construction workers will rise 15¢ an hour and "fringe" costs 7½¢ an hour this year if the Wage Stabilization Board O.K.'s recommendations of its Construction Industry Stabilization Commission.

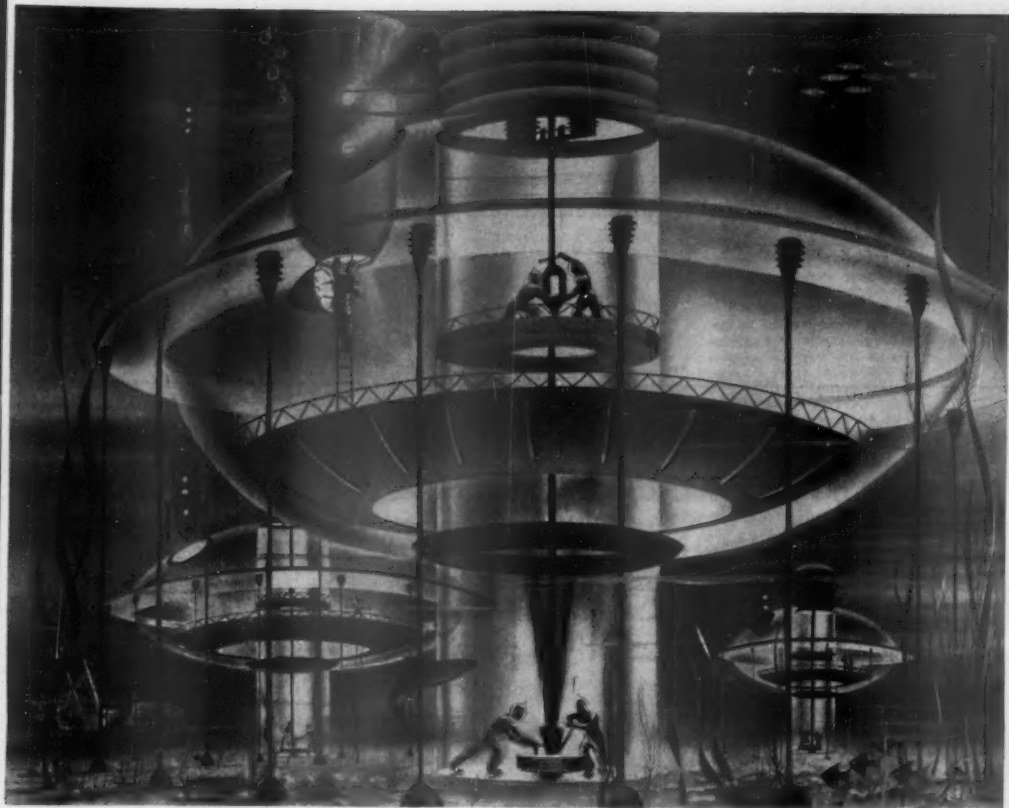
The raises—important for all companies that plan plant expansions this year—were proposed at a conference last week. Because the construction industry presents special problems, WSB controls do not apply specifically. Instead, CISC drafts rules to be applied, subject to WSB approval, to keep rates paid craftsmen and laborers on building sites from getting out of line.

• **16¢ Hike**—Since last July, CISC has "stabilized" area rates at a level 10% above June 24, 1950—the start of the Korean War. WSB policies covering other workers permit increases of 10% above January, 1950, plus a percentage increase to offset the rise in living costs since Jan. 15, 1951. With the c-o-l index now at 190.2, WSB's total permissible raise is almost 15%.

The 15¢ increase sought by CISC amounts to about 6% of the average straight-time wage in construction: \$2.46 an hour. Hence if WSB approves the recommended policy, construction workers' pay will be allowed to go up a total of 16¢ over June, 1950, as compared with other workers' 15¢ over January, 1950.

• **CISC Split**—Offsetting that advantage, other workers' pay can continue going up this year if the c of l soars again; construction wages would be frozen for 1952.

The tripartite CISC split over the plan to allow up to 7½¢ an hour for "fringe" health-and-welfare benefits. Two industry members protested to WSB that this would be "unstabilizing" and would tend to destroy local bargaining practices in the industry.



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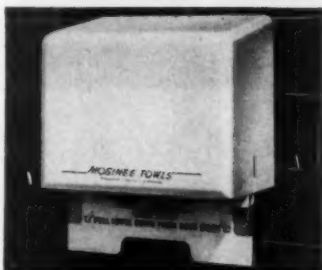
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WAGE DEMANDS get the play, as OWIU-CIO's O. A. Knight, independents' J. J. McKenna, and AFL's O. V. Clover and V. O. Cottengin cooperate. It may lead to...

One Big Union in Oil Industry

CIO oil workers are backed in strike threat by 17 small groups. Demand is for 25¢-an-hour raise. But companies fear attack on present scattered setup of little labor groups.

Labor is besieging the oil industry—one of the last holdouts against organization by a strong national union. CIO's Oil Workers International Union is leading the scattered small unions in the industry to the attack. And the industry fears the battle will end with only one big union on the field.

That's a major factor behind the strike threat of OWIU, backed by 17 little AFL and independent unions. Ostensibly, the only points at issue are union demands for a 25¢-an-hour raise and a hike in night shift premium pay. But that's not all.

• **Joint Board**—Last November the unions set up a joint bargaining council to press the 25¢ demand. Major oil companies said no and countered with a 4.6% raise offer, roughly 10¢ an hour. That's what is allowable under Wage Stabilization Board rules. Backed by the other unions, OWIU then set a Mar. 3 strike date.

• **Strike Postponed**—After a plea by Cyrus S. Ching, director of the Federal Mediation & Conciliation Service, the unions last weekend agreed to postpone the strike for a week. Ching wanted a last chance to effect a compromise.

If FMCS fails, the next step will be White House certification of the dispute to the WSB. The government

followed that policy in steel (page 22), aluminum, and other major disputes. The government again feels that "a serious threat to our defense effort and to the national economy" is involved.

Intervention would let WSB decide the oil wage case, possibly on the basis of its reasoning in the steel case.

• **Since 1914**—No matter how the economic fight comes out OWIU hopes to gain ground in its drive for unification of the small unions that have been cultivated in the oil industry since 1914.

Most of these were born of the general adoption of the so-called "Rockefeller plan" by oil companies before World War I. This plan, first established in the Rockefeller segment of the industry, encouraged unionism—but only in company-dominated labor organizations. Unions thus were small, controlled, and unrelated.

This industry pattern continues today, but the unions for the most part have shaken off company domination. Most are now tough in their relations with their companies.

CIO's OWIU developed in the 1930s from a small AFL union. Today OWIU claims 100,000 members and is the dominant union in the industry. AFL has a claimed 20,000 to 25,000 members. Independents have an indefi-

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Either the ovens, or the dip equipment, or the conveyor, or the fixtures, were continually out of order. Plant engineering blamed the vendors. The vendors blamed the outside contractors who had installed the equipment. And all blamed the operating division.

There was no impartial and co-ordinated engineering study—until a Trundle engineer was assigned to the job. With the time, the patience, the skilled and impartial judgment to study the operation as a whole, he was able to come up with specific recommendations for co-ordinating the operation. Result: the only people who were wrong were those who claimed the equipment was a "white elephant".

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nite, but very substantial, membership.

The combined membership of these groups makes up an important part of the industry's estimated half-million workers who are eligible for unionization. But separately, the unions lack real national strength. That's a situation OWIU wants to overcome—and that oil companies do not want to see changed.

• **Unity Proposed**—Last year OWIU formally proposed unification of all oil unions at its national convention. Leaders of other unions weren't interested then. CIO's program was put away in mothballs.

So far this year, unification talk is being kept muted. Instead, OWIU is stressing the value of collaboration.

To that end, OWIU, AFL's oil union, and 16 independents began working together informally last September, then formally in November. Six other independents have since joined in the joint action planning sessions from time to time.

Actually, all they pledge is (1) to co-ordinate bargaining strategy; (2) to keep the other unions informed at all times on the progress of bargaining; (3) to settle for no less than the mutually agreed-on minimum of 25¢ an hour; and (4) to act jointly for their mutual defense if a strike is called.

This is functional unity, not organic unity such as OWIU really wants. But it might be a step in that direction. At least, companies are afraid it is.

• **OWIU Strategy**—Here's the way OWIU's strategy looks to the industry: If bargaining led by the CIO union's softspeaking but tough president, O. A. Knight, produces a substantial settlement, the rank-and-file sentiment in the independents will be strongly pro-OWIU. Mergers may follow.

On the other hand, if the unions should strike, then industry people fear one-union sentiment could be solidified even faster. Unity could be pressed as a defensive necessity.

Many in the industry say privately that some key refineries would rather agree to a major part of the union demands than risk a strike that might push their independent unions into CIO.

The Pictures—Cover by Herb Kratoch. Brown Brothers—138 (top); Dean Conger, The Denver Post—170; Int. News—20 (bot.), 21, 177, 180 (top); Will Rapport—96, 97; Charles Rotkin, PFI—82, 83 (top, bot. rt.); United Gas—110, 114; United Press—20 (top), 24, 25, 90, 95 (top); U.S. Steel—22, 23; Wide World—88; Dick Wolters—26 (rt.), 118, 119.

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So varied are the uses of chlorine, so continually are the needs for it enlarging, that large-scale expansion of facilities on the part of every major producer has resulted in phenomenal increases in chlorine production.

Before World War II, in 1939, U.S. production of chlorine hit a new high of 514,401 tons. By 1944, owing to war needs that placed chlorine on strict allocation, production had more than doubled to 1,262,305 tons. Following a shallow dip of only two years, production again accelerated, and is estimated to have reached the astounding total of 2,500,000 tons in 1951. A gain of over 386% since 1939!

As a world leader in the production and sale of chlorine, Columbia-Southern is redoubling its efforts to meet the needs of industry for this vital basic chemical.

Chlorine is one of the few elements shipped in important industrial tonnage which can serve as a guide to general business conditions. Note the pattern of this chart showing the U.S. production of Chlorine through the years—from 118,000 tons in 1914 to 2,500,000 tons (estimated) in 1951. (All production figures from U.S. Bureau of Census.)



The first uses of chlorine were for bleaching textiles, paper and flour. Next it was utilized for its disinfecting powers, for sanitizing water and foods. These continue to be important uses of chlorine.

By far the largest market for chlorine, accounting for about 75% of production, is now in the field of synthetic organic chemistry. A multiplicity of products, such as plastics, synthetic rubbers, solvents, vitamins, drugs, high-test gasolines, weed-killers, insecticides and innumerable chemicals depend upon chlorine in their manufacture. Refinements in our civilization are constantly increasing as the result of the genius of the American chemical industry in utilizing the properties of chlorine.

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INTERNATIONAL OUTLOOK

BUSINESS WEEK

MARCH 8, 1952

A

BUSINESS

WEEK

SERVICE

Look for troubles aplenty in Western Europe during the weeks ahead.

Here are some developments Congress can't ignore when it debates the upcoming foreign aid bill (page 15):

- The political crisis in France looks worse than any since the war.
- The economic crisis in Britain will get worse before summer.
- In West Germany, the labor unions now are lining up against Chancellor Adenauer's rearmament policy.

Washington officials are really gloomy about the French crisis—so gloomy that they're almost resigned to a de Gaulle government by yearend.

With de Gaulle in power, U. S. policy in Western Europe might have to be completely revamped. Here's what the general probably would try to do:

- (1) Scrap plans for an integrated European army. De Gaulle is against pooling.
- (2) Hold out for a stronger French voice in the North Atlantic Treaty Organization. De Gaulle wants a French general, rather than Eisenhower, to have operational defense forces.
- (3) Get a higher price from Washington for French military cooperation and for use of North African bases.

The crisis in France is both economic and political.

The economic troubles arise from the long inflation, a growing trade gap, flight from the franc. Back of this is France's failure to cope with the costs of rearmament and the Indo-China war.

Also, France is torn over German rearmament and the endless fighting in the Far East.

Under these pressures, the coalition that's been governing France seems to be falling apart.

The right wing is increasingly attracted by de Gaulle, who has the largest single party in the National Assembly. As the dead-center parties look further right, the Socialists pull away.

Communist strategy aims at getting de Gaulle into the driver's seat.

This bears a resemblance to the tactics of the German Communists just before Hitler came to power in 1932. Apparently, Communist leaders are gambling that de Gaulle would pull the rug out from under the Atlantic Alliance.

Don't look for de Gaulle to return to power immediately, though. The center coalition may still have some strength left.

For one thing, the Socialists probably will come back into the coalition at almost any price before letting de Gaulle take over.

For another, Washington is rushing \$100-million of emergency economic aid to Paris in an effort to tide the government over the crisis.

And the French might ease the economic pressure by cutting rearmament some more. The problem is not to cut so deep that Congress will deny U. S. aid.

London's gold losses are still heavy—probably \$250-million a month. That could drag dollar reserves down to \$1.5-billion by the end of this month.

A big part of the drain comes from the sterling area's trade gap, which is closing only gradually. But some bankers in London estimate that 50%

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

MARCH 8, 1952

of the loss is due to speculative pressure on the pound, including flight of capital.

It seems that the British Treasury can't do much to prevent short selling of sterling. Japanese traders have now joined in this business.

British officials expect their new trade policy to bring a turnaround by May or June.

But meanwhile, they may have to give the pound emergency protection.

Insiders in London say that Chancellor Butler may even (1) put a temporary embargo on all imports of manufactured goods, or (2) ration dollars to the sterling area.

It looks as if Butler must choose between moves like these or getting a loan in the U. S. with British-owned American securities as collateral (BW—Feb. 23'52, p183).

Some London observers expect Butler to announce an emergency move either before or with his Mar. 11 budget. (Butler suddenly put his budget off from Mar. 4 to 11.)

The betting in Britain now is for a tough budget—but not too tough.

Taxes are likely to go up on tobacco, alcoholic drinks, and gasoline. There will also be a new excess profits tax.

Now that British defense estimates have been reduced, Butler doesn't need much additional revenue to keep the government in the black. But he'll budget for a surplus to offset the inflationary impact of his smaller-import, bigger-export policy.

British food subsidies may not be cut drastically in Butler's budget. It's rumored that Churchill's cabinet couldn't agree on this.

Still, the over-all impact of Butler's economic policy will be hard for Britons to take. Unemployment probably will top 500,000 before the end of March. Belt-tightening could bring a series of strikes.

Adenauer's rearmament policy is meeting some new opposition in West Germany.

Kurt Schumacher, leader of the Social Democrats, has lined up the labor unions to fight the European army plan.

There's a good chance that Adenauer can still get his plans approved by late spring. But once rearmament reaches the stage where it bites into living standards, labor opposition could boil.

The Communists are warming up for an International Trade Conference in Moscow Apr. 3 to 10.

The avowed aim of the conference is to get East-West trade moving.

Whether the Kremlin's purpose is really that, or just a big anti-U. S. propaganda stunt, you can expect some interesting developments. They might include:

- A proposal for an East-West payments union—to be operated, like the European Payments Union, by the Bank of International Settlements at Basle, Switzerland.

- Communist offers to place big orders for British and West European soft goods, especially textiles.

These would have a lot of popular appeal in Western Europe today.

BUSINESS ABROAD



WHAT FUTURE for these children of Japan, part of the great annual increase in population? U.S. economists and politicians find . . .

Japan: Lots of People, But What Else?

A close look at Japan shows up these weaknesses:

- The Japanese haven't even begun to tackle the problem of earning a living for their swarming population. They're counting on their political and strategic importance to the West to earn them an indefinite U.S. subsidy.

- Japanese military efforts are likely to be hobbled politically by anti-American nationalism, neutralism, and creeping communism.

Signing of the Japanese Peace Treaty at San Francisco last fall was hailed by the U.S. as a great victory in the cold war. A sovereign Japan was to be our Far Eastern bastion against communism. But now that the treaty is within a few weeks of ratification, Americans on the spot wonder if Japan will be as much of an asset as they had once hoped.

- **Shiny Surface**—So far, the weaknesses are hidden. The Japanese economy today sports a superficial flush of health.

Last year's production index hit

134% of the 1932-36 average, a jump of 25 points above 1950. The index is expected to top 140 this year.

Exports are climbing, too. They reached a new high of \$1.4-billion last year, should top \$1.6-billion in 1952. Japan had a \$311-million surplus on its total foreign account last year. Foreign exchange reserves topped the \$700-million mark.

- **Deeper Flaws**—All this prosperity is only skin deep. Look below the surface, and you can see that Japan is far from supporting its population today. And the problem is getting tougher all the time.

Population now is 85-million; it's slated to climb to 90-million by 1955. All these people are crammed into an area smaller than California and only 16% arable.

The rosy figures for exports are deceptive. More than 40% of the jump in the value of Japanese exports last year reflected price increases. Japan's over-all trade deficit last year topped \$600-million. Dollar exports were only \$314-million, compared with more

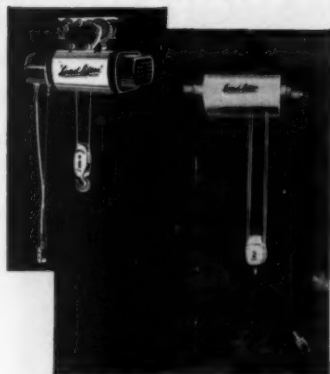
than \$1-billion worth of dollar imports.

U.S. procurement for the Korean War and expenditures for troops stationed in Japan have been plugging this dollar gap. Total U.S. military spending in Japan last year was more than \$500-million. (The Japanese reaped \$350-million from Korean War procurement alone.) Troop and tourist spending brought in a few hundred million more.

Continuation of the military stalemate in Korea would cut deeply into this source of income. A truce would knock the main prop from under Japan's economy.

- **Effect of War**—Japan came out of World War II greatly weakened economically. The war stripped Japan of its cheap sources of raw materials within the empire, its traditional markets, and its merchant fleet. The cold war has pinched off cheap Chinese and Russian raw materials, has closed the hungry Chinese market to Japanese exports.

Yet Japan is even more dependent upon imports than Britain. Last year it imported all its cotton, rubber, phos-



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JAPAN starts on p. 177

phate rock, and bauxite. Imports provided 98% of the wool consumed, 88% of crude oil, 80% of iron ore, 74% of coking coal, 72% of salt, 62% of soybeans, 55% of wheat, 10% of rice.

The high cost of raw material imports accounts for part of Japan's trade troubles. The U.S. has been the major supplier since the war, and U.S. raw materials, landed in Japan, are three to five times as expensive as the same materials bought in Communist China.

• **Weak Selling**—The Japanese are partly to blame for their trade deficit. They've failed to push exports of machinery and high-value fabricated metal products. Exports of such goods accounted for only 8% of the total last year. Far too much of Japan's metal is exported in unfinished or semifinished form. Yet the country's biggest asset is its cheap, skilled manpower. Finished goods would have to account for at least 35% of total exports for Japan to come anywhere near breaking even on its trade.

Internal inflation has sucked a lot of goods into the domestic market that should have been exported. High Japanese prices have kept the Japanese out of traditional Asian markets and prevented them from opening up new ones. Failure to comply with international specifications has hurt Japanese exports, too. Example: High price and low quality lost Japan a sheaf of Thailand rolling stock contracts last year and killed chances for heavy equipment orders from New Zealand, Australia, and South Africa.

• **Spending Spree**—Since Korea, Japan has also wasted foreign exchange and domestic profits recklessly. Businessmen spent at least 40-billion yen for entertainment in Tokyo alone last year. Another 40-million went into concrete and steel office buildings in Tokyo.

According to conservative estimates, the total spent in 1951 for nonproductive purposes in Japan was close to 500-billion yen. This spending spree took place while business and industry were short of capital for daily operations and while long-term capital was practically unavailable. About 80% of Japanese industry's operating funds now come from bank loans.

• **Now If Ever**—Meanwhile, time may be running out for Japan. The present world sellers' market gives Japan as good a chance to get on its feet as it's likely to get. If Western rearmament tapers off after a couple of years, the creaky Japanese economy is bound to

be exposed to fierce Western competition.

As things look now, there are only three solutions to Japan's long-range economic problems:

• **More trade with Southeast Asia and India.** Japan, theoretically, could become the workshop of free Asia. It's the most powerful industrial nation in the Far East.

Japanese trade has already been somewhat re-oriented toward Southeast Asia. Pakistan, for example, is importing 60% of its capital equipment from Japan. And Japanese exports of light industrial equipment to India are increasing. But there's little chance that Southeast Asia trade can solve Japan's economic dilemma without a huge investment and development program in the area.

• **The Japanese pin their main hopes on a large Asia-wide U.S. investment program.** And you can count this out as long as U.S. resources are taxed to the limit by rearmament.

• **Earning more dollars.** Chances of boosting Japan's direct dollar income are equally dim. With U.S. barriers against Japanese imports on the increase, there's not much chance of selling more goods here. And American private investors have showed no signs of sinking their money into long-term investments in Japan.

That leaves more U.S. government grants or loans as the only important new source of additional dollars. And that's exactly what many Japanese leaders are counting on to bail them out when the going gets rough.

• **Resuming trade with mainland China.** Some Japanese economists and businessmen believe that trade with China is the only long-run cure for Japan's economic headaches. China bought one-fourth of Japan's exports prewar, supplied one-sixth of its imports. The cold war has withered this trade to practically nothing now.

• **Politics**—The Japanese also are divided when it comes to political and military ties with the U.S.

There's been widespread opposition to the Peace Treaty and to U.S. defense arrangements with Japan. It has come from powerful nationalist groups as well as from Socialist neutralists and Communists. Communist strength is growing steadily, too. Reason: Inflation has squeezed the average Japanese standard of living to 70% of prewar. The average Japanese now spends 60% of his income for food.

But many Japanese leaders treat their country's economic and political weakness as its biggest asset. They think it will make it easier to wheedle aid out of the U.S. One leading Japanese industrialist recently put it this way: "We will starve without continued U.S. help. No nation starves quietly."



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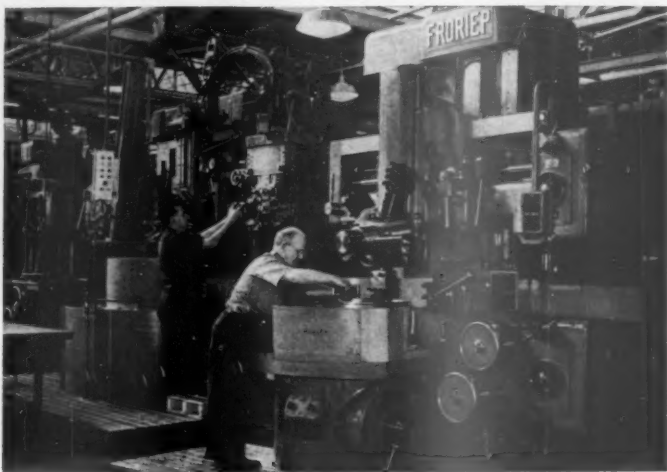
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Machine Tools From Europe...



... Go to Work in America

British and continental manufacturers are finding a healthy U.S. market for their machine tools. Last month two big shipments were unloaded in New York—one from Britain, the other from West Germany and Switzerland.

The British tools (top picture)—worth some \$400,000—make up the largest such shipment ever to arrive in the U.S. The importer is British Industries Corp., a New York firm that's been buying British machine tools for 15 years, last year did a \$3-million business. The shipment has gone on to Chicago, where it will be shown at the American Society of Tool Engineers fair. Later the tools will be de-

livered to U.S. businessmen who have them on order.

Pratt & Whitney Aircraft has put four new machines to work on jet engines in its East Hartford (Conn.) plant. (Bottom picture: a Froriep 39" vertical turret lathe, from West Germany.) They're the vanguard of a 74-machine, \$1.7-million order. P&W looked to Europe last summer because it could get earlier delivery there than from U.S. makers of comparable machines. Though foreign purchases make up only a fraction of P&W's tooling program, P&W had to get an O.K. from Washington to bypass its contract's "Buy American" clause.

Sears Expands

Mail order house is finding happy hunting grounds in Latin America. It's just opened its 16th store.

Residents of oil-rich Maracaibo, Venezuela, got their first glimpse of U. S. mass merchandising methods this week. Two plane-loads of Sears, Roebuck & Co. executives dropped in on them to celebrate the opening of a new Sears retail store. Three days before, the visitors had warmed up in Caracas, Venezuela's capital, where they opened the city's second Sears outlet.

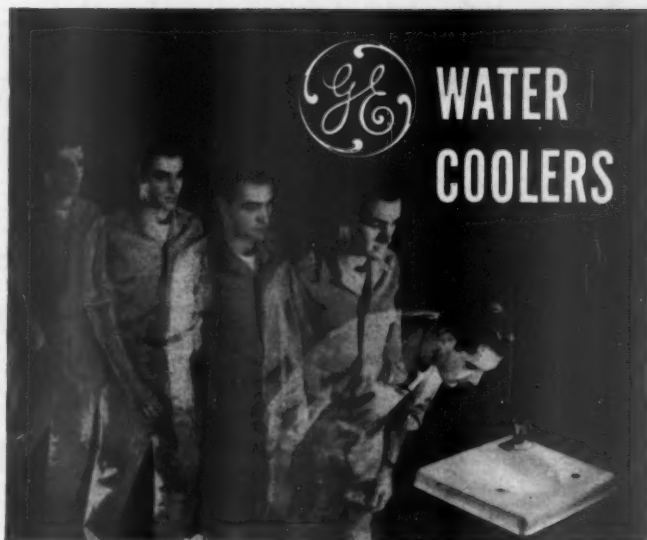
On deck for both affairs was Sears' chairman, Gen. Robert E. Wood. Of late, he's become an old hand at opening ceremonies south of the border. Ten years ago Sears had one store abroad—in Havana, Cuba. Now there are 16—in Cuba, Brazil, Mexico, and Venezuela.

• Going Up—Compared with Sears' domestic mail order and retail business, at \$2.8-billion last year, the foreign operations are minuscule. But in their league, Sears' four Latin American subsidiaries (one for each country where stores are located) are doing nicely. Sales last year were \$50-million, profits were some \$5-million after taxes. And Gen. Wood is bullish for the years to come. Last week he told Sears' employees in Chicago that there is "no reason why we won't get two, three, or five times as much in sales and profits in the future."

After the Havana opening in 1941, World War II blocked further expansion. It wasn't until 1947 that Sears opened its second store, in Mexico City. As recently as three years ago, there were only five Sears' stores in Latin America (BW—Jun. 4'49, p105). Then the tempo stepped up—fast.

Now Cuba has three stores, Mexico has six, Brazil has three, Venezuela, four. Only Cuba has mail order offices. Postal and transport difficulties make the mail business impractical elsewhere. Total investment is about \$24-million, much of it plowed-back earnings rather than capital sent down from Chicago.

• Benefits for All—Gen. Wood calls his Latin American ventures a means to "make money for Sears and confer benefit on the people by bringing prices down and giving them better value." Put another way, Sears is carrying the old U.S. idea of selling more for less south of the border. Most Latin Americans seem to like it. Within a year after the Mexico City store opened, competitors were slashing prices left and right to meet Sears. A few good neighbors weren't so pleased. One dark



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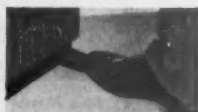
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night after Sears set up shop in Sao Paulo, Brazil, someone tossed a bomb through the store window.

Sears' Latin America is far from an outlet for made-in-U.S. goods. All told, 75% of the merchandise is manufactured locally; percentages range from 30% in Cuba to 88% in Brazil. In many cases, Sears has helped local businessmen set themselves up as suppliers. Employment is local, too. Of Sears' 4,000 employees in Latin America, less than 100 hail from the U.S.

• **New Frontiers**—Wood's bouncy optimism for the future—sales at five times present levels—is more than wishful thinking. Every one of the foreign subsidiaries is hip-deep in expansion plans. In Cuba, two more stores are planned for 1952. Mexico will have a new store at Puebla. In Brazil, three alternative expansion plans are being discussed.

A fifth nation, Colombia, is due to get its first Sears' store in about a year. Ground has been broken for the building at Barranquilla. A site for a second store has already been purchased at Bogota.

Another scheme in the talking stage is to step up Sears' community relations work. It may take the form of educational scholarships for local young people. "Latin America needs engineers," says Gen. Wood.

BUSINESS ABROAD BRIEFS

Shoe swap: A British and a U.S. shoemaker have teamed up to sell in each other's territory. The U.S. firm, Johansen Brothers, St. Louis, has licensed Cactus Shoes, Ltd., London, to produce Johansen shoes for sale in Britain and the U.S. The British have set up shop in New York, will use Johansen's distributing organization to sell the American market.

• **Thompson-Starrett Co.,** New York builders, got an \$11-million contract to head a Turkish-German group that will construct Turkey's largest dam. It's the first instalment on the \$35-million Sariyar hydroelectric project, partially financed by ECA money, which Turks hope will attract new foreign investment. Work began Mar. 1.

• **In India:** The urgently needed, \$50-million fertilizer factory at Sindri, Bihar state, was opened this week. Owned by the government, the plant will turn out 350,000 tons of ammonium sulfate yearly, save India a fertilizer import bill of almost \$20-million. Chemical Construction Corp., subsidiary of American Cyanamid Co., did the designing; Britain's Power Gas Corp. handled construction.

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Crime Is Your Business, Too

In the fight against crime, as in any other long, drawn-out battle, the balance swings back and forth. Lawlessness was on the offensive during World War II and the years following. But now Americans are becoming aroused. The Kefauver Committee had a good deal to do with it; so did other disgusted individuals and groups that wanted action.

Businessmen have been in the van of this counter-attack. In New York City, for example, business leaders took the initiative in setting up an Anti-Crime Committee that is being duplicated in Philadelphia, Atlanta, Atlantic City, Detroit, Dallas, Washington, Reading (Pa. and Mass.), and other places as wide ranging as Pineville, La., and Salem, Ore. These groups plan to move far down the trail blazed by pioneers like the Chicago Crime Commission. They are deadly serious, and they expect to produce results.

The New York City Anti-Crime Committee is a tough-minded, professional outfit staffed by lawyers, accountants, and trained investigators. It doesn't plan to spend its time as a statistical agency. Nor is it interested in stimulating the police to set arrest records. Its aim is bigger and harder: to uncover patterns of organized crime facing business and the community. The floodlight of an occasional arrest or investigation is to be replaced by the steady pressure of day-to-day activity.

Fighting Crime

Specifically, the committee regards these as its jobs:

- Spot official corruption.
- Marshal evidence for use of prosecuting authorities.
- Check continuously on city's law enforcement agencies.
- Review probation and parole systems.
- Seek confidential disclosures on crime and corruption in local community.

One of the committee's methods is to persuade businessmen that the deal that smells queer ought not to be shrugged off as an inevitable part of a hard world. Maybe the smell is a symptom of underlying rot that infects other businesses. Maybe it would turn out, if tracked down, to be the key clue to a whole network of extortion and racketeering. To find those clues is a critical part of the whole job.

Businessmen know that crime has come out of the horse and buggy days. Modern investigators have discovered some new things about it that call for new defenses.

The first new thing is that arrangements required by unscrupulous political figures are no longer matters of seeing the boss about a big matter or tipping the cop about a parking ticket. Graft is no longer confined to

upper levels, but has traveled like maggots through the whole cheese. Underlings in city bureaus are organized by master crooks. They collect, and are collected from as though they hired their jobs and had to bring in the rent money.

The second new thing is that supercrooks who make money by organized shakedowns, by fixing ball games or horse races, and by other means outside the law, are using that money to buy into business. Cash on the barrel head at the critical moment has power, no matter where it comes from. So has service rendered outside the law, at costs in cash or in blackmail that go on climbing. Then the business is taken over, gutted of all possible profits, junked for the next victim. Or it is used as a stepping stone to a bigger business.

The anti-crime committees have a role here that official agencies can't always fill. Because these groups are made up of private citizens, businessmen feel closer to them. Sometimes the lone businessman does not feel strong enough to fight the criminal or to complain to the District Attorney. He may, however, report to a committee of his own people interested in the problem. That is the new hope.

These volunteer groups springing up over the country deserve the support of businessmen as private citizens and as company officials. The committees need their interest and their time. They also need something else. Money is the sinews of crime. Money is the sinews of the war on crime. When it is asked for this purpose, money should be forthcoming. To fight crime is good citizenship. And it's good business, too.

A Labor Leader Speaks

Signs of restlessness against Big Government mount. The latest is a recent speech by a labor leader asking common cause with businessmen against too much federal interference.

Richard Gray, president of the AFL Building and Construction Trades, told business leaders that, "unless top labor and top management form some basis for reaching an understanding, we can expect more and more participation by the Federal Government in the activities of private enterprise. Contrary to the thinking of a good many people, it is my belief the majority of labor does not look with favor upon the Federal Government usurping the functions of free enterprise."

Gray knows the risk of what he asks. Labor in recent years has made considerable gains through the intervention of the federal government. But both labor and management are restless. Both are tired of being regulated, even for their own benefit. Both want to speak with their own voices.

a TURN for the better

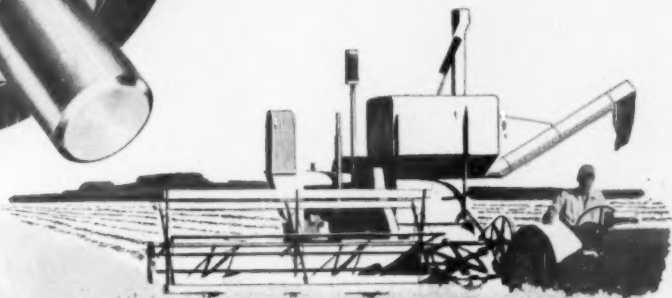
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